

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

FORM 10-K

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

For the fiscal year ended December 31, 2018

Commission File Number 814-00710

PRINCETON CAPITAL CORPORATION
(Exact name of Registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	46-3516073 (I.R.S. Employer Identification No.)
800 Turnpike Street Suite 300 North Andover, Massachusetts	01845
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (978) 794-3366

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.001 per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one.)

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$950,329 based on the closing price of \$0.199 on the over-the-counter pink sheet market (OTC Pink Sheets) on June 29, 2018, the last business day of the Registrant's most recently completed second fiscal quarter.

As of April 16, 2019, there were 120,486,061 shares of common stock, \$.001 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be delivered to stockholders in connection with the registrant's 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K. The registrant intends to file its proxy statement within 120 days after its fiscal year end.

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

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PART I

In this Annual Report on Form 10-K, except as otherwise indicated, the terms “we,” “us,” “our,” and the “Company” refer to Princeton Capital Corporation; “Princeton Advisory Group” refers to our former investment adviser Princeton Advisory Group, Inc.; and “House Hanover” refers to our current investment adviser House Hanover, LLC. Some of the statements in this Annual Report on Form 10-K constitute forward-looking statements, which relate to future events, future performance or financial condition. These forward-looking statements involve risks and uncertainties and actual results could differ materially from those projected in the forward-looking statements for any reason, including those factors discussed in “Item 1A. Risk Factors” and elsewhere in the report.

Item 1. BUSINESS

Overview and Background

Princeton Capital Corporation’s predecessor was initially incorporated in Florida in 1959 as Electro-Mechanical Services, Inc. In 1998, it changed its name from Electro-Mechanical Services, Inc. to Regal One Corporation (“Regal One”). In 2005, the then board of directors of Regal One determined it would be in the best interest of shareholders to change the focus of Regal One’s operations to providing financial services through a network of advisors and professionals.

On July 14, 2014, Regal One, the Company (then a wholly-owned subsidiary of Regal One), Capital Point Partners, LP, a Delaware limited partnership (“CPP”), and Capital Point Partners II, LP, a Delaware limited partnership (“CPPII” and, together with CPP, the “Partnerships”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) pursuant to which we would acquire certain equity and debt investments of the Partnerships in exchange for shares of common stock. In addition to the customary conditions to closing the transactions contemplated by the Purchase Agreement, Regal One was required to (i) effect a reverse stock split of its then outstanding common stock at a ratio of 1-for-2, (ii) reincorporate from Florida to Maryland by merging with and into the Company with the Company continuing as the surviving corporation (the “Reincorporation”) and (iii) become an externally managed business development company (“BDC”) by entering into an external investment advisory agreement with Princeton Investment Advisors, LLC, a Delaware limited liability company.

On March 13, 2015, following the reverse stock split and the Reincorporation, we completed our previously announced acquisition in the approximate amounts of \$11.2 million in cash, \$43.5 million in equity & debt investments, and \$1.9 million in restricted cash escrow deposits of the Partnerships with an aggregate value of approximately \$56.6 million and issued approximately 115.5 million shares of our common stock to the Partnerships. The shares issued were based on a pre-valuation presumed fair value of \$60.9 million.

On January 18, 2016, the Board of Directors of the Company (the “Board”) conditionally approved the investment advisory agreement with Princeton Advisory Group, Inc., a New Jersey corporation (“Princeton Advisory Group” or the “Former Investment Advisor”) (the “PAG Investment Advisory Agreement”), subject to the approval of the Company’s stockholders at the 2016 Annual Meeting of Stockholders. At the 2016 Annual Meeting of Stockholders held on June 9, 2016, the Company’s stockholders approved the PAG Investment Advisory Agreement, effective June 9, 2016. On June 27, 2017, the Board approved an annual renewal of the PAG Investment Advisory Agreement in accordance with the terms of the Investment Company Act of 1940 (the “1940 Act”) and the PAG Investment Advisory Agreement. From June 9, 2016 until its termination as of December 31, 2017, Princeton Advisory Group acted as the Company’s investment advisor pursuant to the terms of the PAG Investment Advisory Agreement (although, as stated herein, Princeton Advisory Group was originally notified of the Company’s intent to terminate the Investment Advisory Agreement on September 27, 2017, as further described herein).

As a result of the allegations contained in the complaints filed by the United States of America against Munish Sood, the former President, Chief Executive Officer, and director of the Company, and others captioned *U.S. v. Lamont Evans, et al.* and *U.S. v. James Gotto, et al.*, in the Southern District of New York., on September 27, 2017 and as previously disclosed, the Board authorized and directed its Audit Committee (which consists of the Board’s three independent board members) to conduct an independent investigation into whether such events impacted the Company, and the extent to which any officer or employee of the Company may have been involved, and whether any corporate funds may have been utilized in the conduct alleged.

The Audit Committee conducted an independent investigation into this matter with the assistance of outside advisors. The investigation concluded on January 24, 2018. The investigation uncovered (i) no evidence that the allegations contained in the Complaints impacted the Company (other than the resignation of Mr. Sood), (ii) no evidence that any officer or employee of the Company, other than (as has been alleged) Mr. Sood, had any involvement in the allegations contained in the Complaints, and (iii) no evidence that any corporate or portfolio company funds were utilized in the conduct alleged in the Complaints. In respect to Mr. Sood, the Audit Committee did not make any judgment regarding the criminal allegations made by the U.S. Attorney in its Complaints.

On December 27, 2017, the Board determined that it would be in the best interests of the Company and its stockholders to terminate the PAG Investment Advisory Agreement and sent a formal Notice of Termination to Princeton Advisory Group notifying Princeton Advisory Group of its termination as the Company's investment advisor, effective as of December 31, 2017 at 11:59 p.m. Eastern Time. Also on December 27, 2017, the Board approved (specifically in accordance with Rule 15a-4(b)(1)(ii) of the Investment Company Act) and authorized the Company to enter into an Interim Investment Advisory Agreement between the Company and House Hanover, LLC, a Delaware limited liability company ("House Hanover") (the "Interim Investment Advisory Agreement"), in accordance with Rule 15a-4 of the Investment Company Act. The effective date of the Interim Investment Advisory Agreement was January 1, 2018.

On April 5, 2018, the Board, including a majority of the independent directors, conditionally approved the Investment Advisory Agreement between the Company and House Hanover (the "House Hanover Investment Advisory Agreement") subject to the approval of the Company's stockholders at the 2018 Annual Meeting of Stockholders. The House Hanover Investment Advisory Agreement replaced the Interim Investment Advisory Agreement. On May 30, 2018, the Company's stockholders approved the House Hanover Investment Advisory Agreement. The effective date of the House Hanover Investment Advisory Agreement was May 31, 2018.

Since January 1, 2018, House Hanover has acted as our investment advisor under the Interim Investment Advisory Agreement (from January 1, 2018 until May 31, 2018) and the House Hanover Investment Advisory Agreement (since May 31, 2018).

A summary of the House Hanover Investment Advisory Agreement was included in the Form 8-K filed on March 31, 2018 and the full text of the House Hanover Investment Advisory Agreement is attached as Exhibit 10.1 thereto and incorporated by reference therein.

The following discussion describes the Company as of December 31, 2018 as it relates to the financial statements covered by this Annual Report on Form 10-K and as of the latest practicable date for other information about the Company.

General

We are an externally managed, non-diversified, closed-end investment company that has elected to be treated as a BDC under the 1940 Act. We originate and invest primarily in private small and lower middle-market companies (typically those with less than \$20.0 million of EBITDA) through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, often times with a corresponding equity investment. Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and related equity investments in private small and lower middle-market companies. Since January 1, 2018, we have been managed by House Hanover, LLC, who also provides some of the administrative services necessary for us to operate.

As a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." Under the relevant Securities and Exchange Commission ("SEC") rules, the term "eligible portfolio company" includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than \$250 million, in each case organized in the United States.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation by:

- accessing the extensive origination channels that have been developed and established by our investment advisor that include long-standing relationships with private equity firms, commercial banks, investment banks and other financial services firms;
- investing in what we believe to be companies with strong business fundamentals, generally within our core small and lower middle-market company focus;
- focusing on a variety of industry sectors, including business services, energy, general industrial, government services, healthcare, software and specialty finance;
- directly originating transactions rather than participating in broadly syndicated financings;
- applying the disciplined underwriting standards that our investment advisor has developed over their extensive investing careers; and
- capitalizing upon the experience and resources of our investment advisor to monitor our investments.

As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to continue to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing, such as the maturity, covenant package and rate structure of the proposed borrowings, our ability to raise funds through the issuance of our securities and the risks of such borrowings within the context of our investment outlook. Ultimately, we only intend to use leverage if the expected returns from borrowing to make investments will exceed the cost of such borrowings.

The Company will be taxed as a C corporation and subject to federal and state corporation income taxes for its 2018 and 2017 taxable years.

Our principal executive office is located at 800 Turnpike Street, Suite 300, North Andover, Massachusetts 01845, and our telephone number is (978) 794-3366. We maintain a website on the Internet at www.princetoncapitalcorp.com. Information contained on our website is not incorporated by reference into this annual report on Form 10-K and you should not consider information contained on our website to be part of this annual report on Form 10-K.

House Hanover

Since January 1, 2018, House Hanover manages our investment activities and is responsible for analyzing investment opportunities, conducting research and performing due diligence on potential investments, negotiating and structuring our investments, originating prospective investments and monitoring our investments and portfolio companies on an ongoing basis. House Hanover is a registered investment adviser and is wholly owned by Sema4, Inc.

House Hanover is headquartered in North Andover, Massachusetts.

Managerial Assistance

As a BDC, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board of directors and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. House Hanover will provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse House Hanover for its allocated costs in providing such assistance, subject to the review by our board of directors, including our independent directors.

Competition

Our primary competitors in providing financing to small and lower middle-market companies include public and private funds, other BDC's, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or to the distribution and other requirements we must satisfy to qualify as a regulated investment company or "RIC". We did not meet the qualifications of a RIC for the 2017 or 2018 tax years.

Employees

We do not have any direct employees, and our day-to-day investment operations are managed by House Hanover. We have a chief executive officer and president, chief financial officer and chief compliance officer. To the extent necessary, our board of directors may hire additional personnel going forward. Our officers are employees or consultants of our investment advisor and our allocable portion of the cost of our chief executive officer and president, chief financial officer and chief compliance officer and their respective staffs is paid by us pursuant to the House Hanover Investment Advisory Agreement.

Management Agreements

Effective as of January 1, 2018, House Hanover serves as our investment advisor and is registered as an investment advisor under the 1940 Act. Prior to January 1, 2018, Princeton Advisory Group served as our investment advisor.

Summary of House Hanover Investment Advisory Agreement

The terms and conditions of the House Hanover Investment Advisory Agreement and the Interim Investment Advisory Agreement are substantially similar, except that (i) the Interim Investment Advisory Agreement did not require approval in accordance with Rule 15a-4 of the 1940 Act and (ii) the duration of the House Hanover Investment Advisory Agreement is one year from the effective date (May 31, 2018) and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (a) the vote of the Board, or by the vote of a majority of the outstanding voting securities of the Company and (b) the vote of a majority of the members of the Board who are not parties to the House Hanover Investment Advisory Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act, as opposed to a 150-day limitation on the term, as set forth in the Interim Investment Advisory Agreement.

Advisory Services

House Hanover is registered as an investment adviser under the 1940 Act and serves as the Company's investment advisor pursuant to the House Hanover Investment Advisory Agreement in accordance with the 1940 Act. House Hanover is owned by and an affiliate of Mr. Mark DiSalvo, the Company's Interim President, Interim Chief Executive Officer, and a director of the Company.

Subject to supervision by the Company's Board, House Hanover oversees the Company's day-to-day operations and provides the Company with investment advisory services. Under the terms of the House Hanover Investment Advisory Agreement, House Hanover, among other things: (i) determines the composition and allocation of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of the investments made by the Company; (iii) executes, closes, services and monitors the Company's investments; (iv) determines the securities and other assets that the Company shall purchase, retain, or sell; (v) performs due diligence on prospective portfolio companies; (vi) provides the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds; and (vii) if directed by the Board, assists in the execution and closing of the sale of the Company's assets or a sale of the equity of the Company in one or more transactions. House Hanover's services under the House Hanover Investment Advisory Agreement may not be exclusive and it is free to furnish similar services to other entities so long as its services to the Company are not impaired. At the request of the Company, House Hanover, upon any transition of the Company's investment advisory relationship to another investment advisor or upon any internalization, shall provide reasonable transition assistance to the Company and any successor investment advisor.

Advisory Fee

Pursuant to the House Hanover Investment Advisory Agreement, the Company pays House Hanover a base management fee for investment advisory and management services. The cost of the base management fee is ultimately borne by the Company's stockholders. The House Hanover Investment Advisory Agreement does not contain an incentive fee component.

The base management fee is calculated at an annual rate of 1.00% of the Company's gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents net of all indebtedness of the Company for borrowed money and other liabilities of the Company. The base management fee is payable quarterly in arrears, and determined as set forth in the preceding sentence at the end of the two most recently completed calendar quarters. The Board may retroactively adjust the valuation of the Company's assets and the resulting calculation of the base management fee in the event the Company or any of its assets are sold or transferred to an independent third party or the Company or House Hanover receives an audit report or other independent third party valuation of the Company. To the extent that any such adjustment increases or decreases the base management fee of any prior period, the Company will be obligated to pay the amount of increase to House Hanover or House Hanover will be obligated to refund the decreased amount, as applicable.

Payment of Expenses

House Hanover bears all compensation expense (including health insurance, pension benefits, payroll taxes and other compensation related matters) of its employees and consultants and bear the costs of any salaries or directors' fees of any officers or directors of the Company who are affiliated persons (as defined in the 1940 Act) of House Hanover. However, House Hanover, subject to approval by the Board of the Company, is entitled to reimbursement for the portion of any compensation expense and the costs of any salaries of any such employees to the extent attributable to services performed by such employees for the Company. During the term of the House Hanover Investment Advisory Agreement, House Hanover will also bear all of its costs and expenses for office space rental, office equipment, utilities and other non-compensation related overhead allocable to performance of its obligations under the House Hanover Investment Advisory Agreement.

Except as provided in the preceding paragraph the Company reimburses House Hanover all direct and indirect costs and expenses incurred by it during the term of the House Hanover Investment Advisory Agreement for: (i) due diligence of potential investments of the Company, (ii) monitoring performance of the Company's investments, (iii) serving as officers of the Company, (iv) serving as directors and officers of portfolio companies of the Company, (v) providing managerial assistance to portfolio companies of the Company, and (vi) enforcing the Company's rights in respect of its investments and disposing of its investments; provided, however, that, any third party expenses incurred by House Hanover in excess of \$50,000 in the aggregate in any calendar quarter will require advance approval by the Board of the Company.

In addition to the foregoing, the Company will also be responsible for the payment of all of the Company's other expenses, including the payment of the following fees and expenses:

- organizational and offering expenses;
- expenses incurred in valuing the Company's assets and computing its net asset value per share (including the cost and expenses of any independent valuation firm);
- subject to the guidelines approved by the Board, expenses incurred by House Hanover that are payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on the Company's prospective portfolio companies or otherwise related to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance the Company's investments and expenses related to unsuccessful portfolio acquisition efforts;

- offerings of the Company's common stock and other securities;
- administration fees;
- transfer agent and custody fees and expenses;
- U.S. federal and state registration fees of the Company (but not House Hanover);
- all costs of registration and listing the Company's shares on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required of the Company (but not House Hanover) by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- the costs associated with individual or group stockholders;
- the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration and operation of the Company, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- all other non-investment advisory expenses incurred by the Company in connection with administering the Company's business.

Duration and Termination

Unless terminated earlier as described below, the House Hanover Investment Advisory Agreement will continue in effect for a period of one (1) year from its effective date. It will remain in effect from year to year thereafter if approved annually by the Company's Board or by the affirmative vote of the holders of a majority of the Company's outstanding voting securities, and, in either case, if also approved by a majority of Company's directors who are neither parties to the House Hanover Investment Advisory Agreement nor "interested persons" (as defined under the 1940 Act) of any such party. The House Hanover Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, (i) upon written notice, effective on the date set forth in such notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's directors, or (ii) upon 60 days' written notice, by House Hanover. The House Hanover Investment Advisory Agreement automatically terminates in the event of its "assignment," as defined in the 1940 Act.

Indemnification

The House Hanover Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of their duties, or by reason of the material breach or reckless disregard of their duties and obligations under the House Hanover Investment Advisory Agreement, House Hanover and its officers, managers, employees and members are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of House Hanover's services under the House Hanover Investment Advisory Agreement or otherwise as the Company's investment advisor. The amounts payable for indemnification will be calculated net of payments recovered by the indemnified party under any insurance policy with respect to such losses.

At all times during the term of the House Hanover Investment Advisory Agreement and for one year thereafter, House Hanover is obligated to maintain directors and officers/errors and omission liability insurance in an amount and with a provider reasonably acceptable to the Board of the Company.

Regulation as a BDC

We have elected to be regulated as a BDC under the 1940 Act and intend, as soon as we become eligible, to elect to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986 (the "Code".) The 1940 Act contains prohibitions and restrictions relating to transactions between BDC's and their affiliates (including any investment advisors), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an “underwriter” as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and may be changed without stockholder approval upon 60 days’ prior written notice to stockholders.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 Act, which are referred to as “qualifying assets,” unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company’s total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. Under the 1940 Act and the rules thereunder, “eligible portfolio companies” include (1) private domestic operating companies, (2) public domestic operating companies whose securities are not listed on a national securities exchange (e.g., the New York Stock Exchange) or registered under the Exchange Act, and (3) public domestic operating companies having a market capitalization of less than \$250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board or through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies.
- (2) Securities of any eligible portfolio company which we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from a person who is or has been, within the past 13 months, an affiliated person of the issuer, or in transactions incident to such a private transaction, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- (5) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities that mature in one year or less from the date of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, a BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance. However, when the BDC purchases securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the BDC, through its directors, officers, employees or agents, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. House Hanover will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt investments that mature in one year or less from the date of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets or temporary investments. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as the agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Accordingly, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. A loan will be considered temporary if it is repaid within sixty days and is not extended or renewed.

Common Stock

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

Other

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

House Hanover and the Company will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of relevant federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the BDC prohibition on transactions with affiliates to prohibit all "joint transactions" between, among other things, entities that share a common investment advisor. The staff of the SEC has granted no-action relief permitting purchases of a single class of privately placed securities provided that the advisor negotiates no term other than price and certain other conditions are met.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 under the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any remedial actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under such act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

Item 1A. RISK FACTORS

Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this annual report on Form 10-K, before you decide whether to make an investment in our securities. The risks set out below are the principal risks with respect to an investment in our securities generally and with respect to a BDC with investment objectives, investment policies, capital structures or trading markets similar to ours. However, they may not be the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Relating to our Business and Structure

We are dependent upon key personnel of House Hanover for our future success. If House Hanover were to lose any of its key personnel, our ability to achieve our investment objective could be significantly harmed.

We will depend on the diligence, skill and network of business contacts of the investment professionals of House Hanover to achieve our investment objective. We expect that House Hanover's investment team will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the House Hanover Investment Advisory Agreement. We can offer no assurance, however, that House Hanover's investment team will continue to provide investment advice to us.

Our business model depends to a significant extent upon strong referral relationships. Any inability of House Hanover to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon House Hanover to maintain its relationships with private equity sponsors, placement agents, investment banks, management groups, financial institutions and other service providers, and we expect to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If House Hanover fails to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom House Hanover has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future.

Our financial condition, results of operations and cash flows will depend on our ability to manage our business effectively.

Our ability to achieve our investment objective will depend on our ability to manage our business and to grow our investments and earnings. This will depend, in turn, on House Hanover ability to identify, invest in and monitor portfolio companies that meet our investment criteria. The achievement of our investment objective on a cost-effective basis will depend upon House Hanover execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. House Hanover's investment team may have responsibilities in connection with the management of other investment funds, accounts and investment vehicles. The personnel of House Hanover may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them from servicing new investment opportunities for us or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows. We have limited capital on hand by which we can make new investments, thereby making it difficult to grow our investments.

There are significant potential conflicts of interest that could negatively affect our investment returns.

The investment professionals of House Hanover serve, or may serve, as officers, directors, members, or principals of entities that operate in the same or a related line of business as we do, or of investment funds, accounts, or investment vehicles managed by House Hanover. Similarly, House Hanover may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders.

The senior investment team and other investment professionals of House Hanover may, from time to time, possess material non-public information, limiting our investment discretion.

The senior investment team and other investment professionals of House Hanover may serve as directors of, or in a similar capacity with portfolio companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

The management fee structure we have with House Hanover may create incentives that are not fully aligned with the interests of our stockholders.

In the course of our investing activities, we will pay management fees to House Hanover. We have entered into an investment advisory agreement with House Hanover that provides that these fees will be based on the value of our net assets. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through direct investments.

Our board of directors is charged with protecting our interests by monitoring how House Hanover addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each investment decision, borrowing or incurrence of leverage, our independent directors will periodically review House Hanover's services and fees as well as its portfolio management decisions and performance of our portfolio. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, House Hanover may from time to time have interests that differ from those of our stockholders, giving rise to a conflict.

The involvement of our interested directors in the valuation process may create conflicts of interest.

We expect to make many of our portfolio investments in the form of loans and securities that are not publicly traded and for which no market based price quotation is available. As a result, our board of directors will determine the fair value of these loans and securities in good faith as described below in “— Our portfolio investments will be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.” In connection with that determination, investment professionals from House Hanover may provide our board of directors with valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. While the valuation for most portfolio investments will be prepared quarterly by an independent valuation firm, the ultimate determination of fair value will be made by our board of directors, including our interested directors, and not by such third-party valuation firm. In addition, Mr. Mark DiSalvo, an interested member of our board of directors, has a direct pecuniary interest in House Hanover. The participation of House Hanover’s investment professionals in our valuation process, and the pecuniary interest in House Hanover by a member of our board of directors, could result in a conflict of interest as House Hanover’s management fee is based, in part, on the value of our gross assets.

The time and resources that House Hanover devote to us may be diverted, and we may face additional competition due to the fact that House Hanover and its affiliates are not prohibited from raising money for, or managing, another entity that makes the same types of investments that we target.

House Hanover and some of its affiliates, including our officers and our non-independent directors, are not prohibited from raising money for, or managing, another investment entity that makes the same types of investments as those we target. For example, House Hanover could seek to raise capital for a private credit fund that will have an investment strategy that is identical to our investment strategy. House Hanover and we may seek exemptive relief from the SEC that would establish a co-investment program with investment funds, accounts and investment vehicles managed by House Hanover; however, there can be no assurance if and when the SEC would grant such relief. In addition, we may compete with any such investment entity for the same investors and investment opportunities.

House Hanover’s liability is limited under the House Hanover Investment Advisory Agreement and we have agreed to indemnify House Hanover against certain liabilities, which may lead House Hanover to act in a riskier manner on our behalf than it would when acting for its own account.

Under the House Hanover Investment Advisory Agreement, House Hanover has not assumed any responsibility to us other than to render the services called for under that agreement. It will not be responsible for any action of our board of directors by following or declining to follow House Hanover’s advice or recommendations. Under the House Hanover Investment Advisory Agreement, House Hanover, its officers, members and personnel, and any person controlling or controlled by House Hanover will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary’s stockholders or partners for acts or omissions performed in accordance with and pursuant to the House Hanover Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misfeasance, bad faith or reckless disregard of the duties that House Hanover owes to us under the House Hanover Investment Advisory Agreement. In addition, as part of the House Hanover Investment Advisory Agreement, we have agreed to indemnify House Hanover and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the House Hanover Investment Advisory Agreement, except where attributable to gross negligence, willful misfeasance, bad faith or reckless disregard of such person’s duties under the House Hanover Investment Advisory Agreement. These protections may lead House Hanover to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to such affiliate without the prior approval of our independent directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include concurrent investments in the same portfolio company, without prior approval of our independent directors and, in some cases, of the SEC. We are prohibited from buying or selling any security from or to any person that controls us or who owns more than 25% of our voting securities or certain of that person’s affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any portfolio company of a private fund managed by House Hanover or its affiliates without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

We may, however, invest alongside House Hanover's investment funds, accounts and investment vehicles in certain circumstances where doing so is consistent with our investment strategy as well as applicable law and SEC staff interpretations. For example, we may invest alongside such investment funds, accounts and investment vehicles consistent with guidance promulgated by the SEC staff to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that House Hanover, acting on our behalf and on behalf of such investment funds, accounts and investment vehicles, negotiates no term other than price. We may also invest alongside House Hanover's investment funds, accounts and investment vehicles as otherwise permissible under regulatory guidance, applicable regulations and House Hanover's allocation policy. This allocation policy provides that allocations among us and investment funds, accounts and investment vehicles managed by House Hanover and its affiliates will generally be made pro rata based on capital available for investment, as determined, in our case, by our board of directors as well as the terms of our governing documents and those of such investment funds, accounts and investment vehicles. It is our policy to base our determinations on such factors as the amount of cash on-hand, existing commitments and reserves, if any, our targeted leverage level, our targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for investment funds, accounts and investment vehicles managed by House Hanover. However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

In situations where co-investment with investment funds, accounts and investment vehicles managed by House Hanover, prior to receiving exemptive relief, is not permitted or appropriate, such as when there is an opportunity to invest concurrently in different securities of the same issuer or where the different investments could be expected to result in a conflict between our interests and those of House Hanover's clients, subject to the limitations described in the preceding paragraph, House Hanover will need to decide which client will proceed with the investment. House Hanover will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which an investment fund, account or investment vehicle managed by House Hanover has previously invested.

We and House Hanover may seek exemptive relief from the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with investment funds, accounts and investment vehicles managed by House Hanover in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We believe that co-investment by us and investment funds, accounts and investment vehicles managed by House Hanover may afford us additional investment opportunities and an ability to achieve greater diversification. Accordingly, if we make an application for exemptive relief, we will seek an exemptive order permitting us to invest with investment funds, accounts and investment vehicles managed by House Hanover in the same portfolio companies under circumstances in which such investments would otherwise not be permitted by the 1940 Act. We expect that such exemptive relief permitting co-investments, if granted, would not require review and approval of each co-investment by our independent directors. There can be no assurance if and when the SEC would grant such relief.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

A number of entities compete with us to make the types of investments that we plan to make. We will compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source-of-income, asset diversification and distribution requirements we must satisfy to achieve RIC qualification. The competitive pressures we face may have a material adverse effect on our business, financial condition, results of operations and cash flows. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

With respect to the investments we make, we will not seek to compete based primarily on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. With respect to all investments, we may lose some investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with investment funds, accounts and investment vehicles managed by House Hanover. Although House Hanover will allocate opportunities in accordance with its policies and procedures, allocations to such investment funds, accounts and investment vehicles will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our stockholders. See "Risk Factor — Risks Relating to Our Business and Structure — There are significant potential conflicts of interest that could negatively affect our investment returns."

We will be subject to corporate-level income tax if we are unable to qualify or maintain our qualification as a RIC under Subchapter M of the Code.

To qualify as a RIC under Subchapter M of the Code, we must meet certain source-of-income, asset diversification and distribution requirements. The distribution requirement for a RIC is satisfied if we distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. If we incur debt, we will be subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of our qualification as a RIC. Because most of our investments will be in private or thinly-traded public companies, any such dispositions may be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate income tax, the resulting corporate income taxes could substantially reduce our net assets, the amount of income available for distributions to our stockholders and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our stockholders.

We may need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to grow. In addition, we will be required to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to achieve qualification as a RIC. As a result, these earnings will not be available to fund new investments. An inability on our part to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which would have an adverse effect on the value of our securities.

You may not receive distributions, or our distributions may not grow over time.

To date since the Reincorporation, we have not made any distributions. We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this filing. Due to the asset coverage test applicable to us under the 1940 Act as a BDC, we may be limited in our ability to make distributions. All distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, maintenance of RIC status, compliance with applicable BDC, and such other factors as our board of directors may deem relative from time to time. We cannot assure you that we will make distributions to our stockholders in the future.

We may have difficulty paying required distributions to qualify as a RIC if we recognize income before, or without, receiving cash representing such income.

For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as the accrual of original issue discount. This may arise if we receive warrants in connection with the making of a loan and in other circumstances, or through contracted PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, and increases in loan balances as a result of contracted PIK arrangements will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to achieve qualification as a RIC. In such a case, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain such cash from other sources, we may continue to fail to qualify as a RIC and thus be subject to corporate-level income tax.

PIK interest payments we receive will increase our assets under management and, as a result, will increase the amount of base management fees payable by us to House Hanover.

Certain of our debt investments may contain provisions providing for the payment of PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt by us of PIK interest will have the effect of increasing our assets under management. As a result, because the base management fee that we pay to House Hanover is based on the value of our gross assets, the receipt by us of PIK interest will result in an increase in the amount of the base management fee payable by us.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a BDC to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of our gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous to us in order to repay a portion of our indebtedness. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below then current net asset value per share of our common stock if our board of directors determines that such sale is in our best interests and if our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you may experience dilution.

We may finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

We may finance our investments with borrowed money when we expect the return on our investment to exceed the cost of borrowing. The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. However, we may borrow from, and may in the future issue debt securities to, banks, insurance companies and other lenders. Lenders of these funds will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any borrowing facility or other debt instrument we may enter into, we are likely to be required to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make distributions with respect to our common stock or preferred stock. Our ability to service any debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the base management fee payable to House Hanover will be payable based on the value of our gross assets, including those assets acquired through the use of leverage, House Hanover will have a financial incentive to incur leverage, which may not be consistent with our stockholders' interests. In addition, our stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the base management fee payable to House Hanover.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings (other than potential leverage in future SBIC subsidiaries, should we apply for and receive an SBIC license(s), subject to exemptive relief) and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we will not be able to incur additional debt and could be required to sell a portion of our investments to repay some debt when it is otherwise disadvantageous for us to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on House Hanover's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

We may default under any future borrowing facility we enter into or be unable to amend, repay or refinance any such facility on commercially reasonable terms, or at all, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In the event we default under any future borrowing facility, our business could be adversely affected as we may be forced to sell a portion of our investments quickly and prematurely at what may be disadvantageous prices to us in order to meet our outstanding payment obligations and/or support working capital requirements under such future borrowing facility, any of which would have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, following any such default, the agent for the lenders under such future borrowing facility could assume control of the disposition of any or all of our assets, including the selection of such assets to be disposed and the timing of such disposition, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because we may use debt to finance our investments, if market interest rates were to increase, our cost of capital could increase, which could reduce our net investment income.

Because we may borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates would not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates to the extent permitted by the 1940 Act.

Provisions in any future borrowing facility may limit our discretion in operating our business.

Any future borrowing facility may be backed by all or a portion of our loans and securities on which the lenders may have a security interest. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instrument we enter into with lenders. We expect that any security interests we grant will be set forth in a pledge and security agreement and evidenced by the filing of financing statements by the agent for the lenders. In addition, we expect that the custodian for our securities serving as collateral for such loan would include in its electronic systems notices indicating the existence of such security interests and, following notice of occurrence of an event of default, if any, and during its continuance, will only accept transfer instructions with respect to any such securities from the lender or its designee. If we were to default under the terms of any debt instrument, the agent for the applicable lenders would be able to assume control of the timing of disposition of any or all of our assets securing such debt, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, any security interests as well as negative covenants in any borrowing facility may limit our ability to create liens on assets to secure additional debt and may make it difficult for us to restructure or refinance indebtedness at or prior to maturity or obtain additional debt or equity financing. In addition, if our borrowing base under any other borrowing facility were to decrease, we would be required to secure additional assets in an amount equal to any borrowing base deficiency. In the event that all of our assets are secured at the time of such a borrowing base deficiency, we could be required to repay advances under the borrowing facility or make deposits to a collection account, either of which could have a material adverse impact on our ability to fund future investments and to make stockholder distributions.

In addition, under any future borrowing facility we may be subject to limitations as to how borrowed funds may be used, which may include restrictions on geographic and industry concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings, as well as regulatory restrictions on leverage which may affect the amount of funding that may be obtained. There may also be certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, a violation of which could limit further advances and, in some cases, result in an event of default. An event of default under any borrowing facility could result in an accelerated maturity date for all amounts outstanding thereunder, which could have a material adverse effect on our business and financial condition. This could reduce our revenues and, by delaying any cash payment allowed to us under the borrowing facility until the lenders have been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and to qualify as a RIC.

Adverse developments in the credit markets may impair our ability to enter into any other future borrowing facility.

During the economic downturn in the United States that began in mid-2007, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited refinancing and loan modification transactions and reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. If these conditions recur, it may be difficult for us to enter into a borrowing facility, obtain financing for growth of our investments, or refinance any outstanding indebtedness on acceptable economic terms, or at all.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to maintain our qualification as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we are required to invest at least 70% of our total assets in “qualifying assets” as defined under the 1940 Act. See “Business – Regulation as a BDC.” We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDC’s. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

Our portfolio investments will be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.

We expect that most of our portfolio investments will take the form of securities that are not publicly traded. The fair value of loans, securities and other investments that are not publicly traded may not be readily determinable, and we will value these investments at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our investments. Most, if not all, of our investments (other than cash and cash equivalents) will be classified as Level 3 under Financial Accounting Standards Board Accounting Standards Codification “Fair Value Measurements and Disclosures”, or ASC 820. This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We expect to retain the services of one or more independent service providers to review the valuation of these loans and securities. The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these loans and securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such loans and securities.

We will adjust the valuation of our portfolio quarterly to reflect our board of directors’ determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized gain or loss.

We may experience fluctuations in our quarterly operating results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the loans and debt securities we acquire, the default rate on such loans and securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. In light of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We will be required to disclose changes made in our internal control and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Our common stock is traded on the Over-the-Counter Bulletin Board "Pink Sheet" market, which may make it more difficult for investors to resell their shares due to suitability requirements.

Our common stock is currently traded on the Over the Counter Bulletin Board under the symbol "PIAC" where we expect it to remain in the foreseeable future. We do not believe that we will become eligible for the OTCQB Market in the foreseeable future because of our inability to meet the required public float restrictions of the OTCQB Market. Broker-dealers often decline to trade in OTC Pink Sheet stocks given the markets for such securities are often limited, the stocks are more volatile, and the risk to investors is greater. These factors may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of their shares. This could cause our stock price to decline.

New or modified laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies will be subject to regulation by laws at the U.S. federal, state and local levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws, regulations and interpretations may also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business.

Additionally, changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this filing and may shift our investment focus from the areas of expertise of House Hanover to other types of investments in which House Hanover may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the market price of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions to our stockholders.

Recently passed legislation may allow us to incur additional leverage.

Historically a BDC, under the 1940 Act generally were not permitted to incur indebtedness unless immediately after such borrowing we had an asset coverage for total borrowings of at least 200% (i.e., the amount of debt could not exceed 50% of the value of our total assets). The Small Business Credit Availability Act, which was signed into law in March 2018, modifies this section of the 1940 Act and decreases this percentage from 200% to 150% (subject to either stockholder approval or approval of both a majority of the board of directors and a majority of directors who are not interested persons). As a result of this new law, we may be able to incur additional indebtedness subject to relevant approval and disclosure requirements and therefore your risk of an investment in us may increase. In addition, since our management fee is calculated as a percentage of the value of our gross assets, which includes any borrowings for investment purposes, the management fee expenses will increase if we incur additional indebtedness.

Our board of directors is authorized to reclassify any unissued shares of common stock into one or more series of preferred stock, which could convey special rights and privileges to its owners.

Under Maryland General Corporation Law and our charter, our board of directors is authorized to classify and reclassify any authorized but unissued shares of stock into one or more classes or series of stock, including preferred stock of one or more series. Prior to the issuance of shares of each class or series, the board of directors will be required by Maryland law and our charter to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption for each such class or series. Thus, the board of directors could authorize the issuance of shares of a series of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or that otherwise might be in their best interest. The cost of any such reclassification and issuance would be borne by our common stockholders. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, the 1940 Act provides that holders of preferred stock are entitled to vote separately from holders of common stock to elect two directors. We currently have no plans to issue preferred stock. The issuance of shares of preferred stock convertible into shares of common stock may also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder's shares at a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our board of directors has considered both the positive and negative effects of the foregoing provisions determined that they are in the best interests of our stockholders.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of the Company or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our independent directors. If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock and to amend our charter without stockholder approval to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder's shares of a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our board of directors has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interests of our stockholders.

House Hanover can resign as our investment advisor and administrator upon 60 days' notice and we may not be able to find suitable replacements within that time, or at all, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

House Hanover has the right under the House Hanover Investment Advisory Agreement to resign as our investment adviser and administrator at any time upon 60 days' written notice, whether we have found a replacement or not. If House Hanover was to resign, we may not be able to find a new investment adviser or administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions to our stockholders are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment or administrative activities, as applicable, is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by House Hanover. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Recent market conditions materially and adversely affected debt and equity capital markets in the United States and around the world. If these conditions recur, debt capital may not be available to us on favorable terms, or at all, which could negatively affect our financial performance and results.

From 2007 through 2009, the global capital markets experienced a period of disruption resulting in increasing spreads between the yields realized on riskier debt securities and those realized on risk-free securities and a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market. These events, along with the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of major financial institutions in the United States, led to a decline of general economic conditions. This economic decline materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and to financial firms in particular during that time. These conditions may recur, in which case, to the extent that we wish to use debt to fund our investments, the debt capital that will be available to us, if at all, may be at a higher cost, and on terms and conditions that may be less favorable, than what we expect, which could negatively affect our financial performance and results. A prolonged period of market illiquidity may cause us to reduce the volume of loans and debt securities we originate and/or fund and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to our Investments

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of the portfolio companies in which we expect to make investments, including those currently included in our portfolio, are likely to be susceptible to economic slowdowns or recessions and may be unable to repay our loans during such periods. Therefore, the number of our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during such periods. Adverse economic conditions may decrease the value of collateral securing some of our loans and debt securities and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the loans and debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower's business or exercise control over a borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors, even though we may have structured our investment as senior secured debt. The likelihood of such a re-characterization would depend on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company.

Our investments in leveraged portfolio companies may be risky, and we could lose all or part of our investment.

Investments in leveraged companies involve a number of significant risks. Leveraged companies in which we invest may have limited financial resources and may be unable to meet their obligations under their loans and debt securities that we hold. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees that we may have obtained in connection with our investment. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position.

We may hold the loans and debt securities of leveraged companies that may, due to the significant operating volatility typical of such companies, enter into bankruptcy proceedings.

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by a portfolio company may adversely and permanently affect that company. If the proceeding is converted to a liquidation, the value of the portfolio company may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Our investments in private and small and lower middle-market portfolio companies are risky, and we could lose all or part of our investment.

Investments in private and small and lower middle-market companies involve a number of significant risks. Generally, little public information exists about these companies, and we will rely on the ability of House Hanover's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Small and lower middle-market companies may have limited financial resources and may be unable to meet their obligations under their loans and debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and adverse market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the portfolio companies we invest in and, in turn, on us. Small and lower middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, our executive officers, directors and investment advisor may, in the ordinary course of business, be named as defendants in litigation arising from our investments in portfolio companies.

The lack of liquidity in our investments may adversely affect our business.

All of our assets may be invested in illiquid loans and securities, and a substantial portion of our investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. Also, as noted above, we may be limited or prohibited in our ability to sell or otherwise exit certain positions in our initial portfolio as such a transaction could be considered a joint transaction prohibited by the 1940 Act.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- Available current market data, including relevant and applicable market trading and transaction comparables;
- applicable market yields and multiples;
- security covenants;
- call protection provisions;
- information rights;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments, earnings, discounted cash flows and the markets in which it does business;
- comparisons of financial ratios of peer companies that are public;
- comparable merger and acquisition transactions; and
- the principal market and enterprise values.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are a non-diversified investment company as defined under the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company as defined under the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code, we do not have fixed guidelines for diversification. To the extent that we assume large positions in the securities of a small number of issuers or our investments are concentrated in relatively few industries, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in seeking to:

- increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- preserve or enhance the value of our investment.

We have discretion to make follow-on investments, subject to the availability of capital resources. Failure on our part to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements of the 1940 Act or the desire to maintain our qualification as a RIC. Our ability to make follow-on investments may also be limited by House Hanover's allocation policy.

Because we generally do not hold controlling equity interests in our portfolio companies, we may not be able to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

If we do not hold controlling equity positions the portfolio companies included in our portfolio, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we expect to hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

Defaults by our portfolio companies will harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company's ability to meet its obligations under the loans or debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

Because we rely on the interest income from our portfolio companies to fund operating expenses, payment defaults of our portfolio companies could have an adverse effect on our operations. Our interest income may not exceed our operating expenses which could affect our financial condition, results of operations and cash flow.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and ability to make stockholder distributions and result in a decline in the market price of our shares.

We will be subject to the risk that the debt investments we make in our portfolio companies may be repaid prior to maturity. We expect that our investments will generally allow for repayment at any time subject to certain penalties. When this occurs, we intend to generally reinvest these proceeds in temporary investments, pending their future investment in accordance with our investment strategy. These temporary investments will typically have substantially lower yields than the debt being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to repay amounts owed to us prior to maturity. Additionally, prepayments could negatively impact our ability to make, or the amount of, distributions with respect to our common stock, which could result in a decline in the market price of our shares.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We intend to invest a portion of our capital in second lien and subordinated loans issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the loans in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the loans in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, a portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with loans in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we may make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

We may also make unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in collateral of such companies. Liens on such portfolio companies' collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

If we make subordinated investments, the obligors or the portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We may make subordinated investments that rank below other obligations of the obligor in right of payment. Subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or economic conditions in general. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations.

The disposition of our investments may result in contingent liabilities.

We currently expect that substantially all of our investments will involve loans and private securities. In connection with the disposition of an investment in loans and private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through our return of distributions previously made to us.

We may not realize gains from our equity investments.

When we invest in loans and debt securities, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and, may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Risks Relating to our Common Stock

Shares of closed-end investment companies, including BDC's, frequently trade at a discount from their net asset value.

Shares of closed-end investment companies, including BDC's, frequently trade at a discount from their net asset value. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share of common stock may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, we cannot issue shares of our common stock below net asset value unless our board of directors determines that it would be in our and our stockholders' best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing out net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock.

Stockholders may experience dilution in their ownership percentage if they do not participate in our dividend reinvestment plan.

All distributions declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not participate in the dividend reinvestment plan may experience dilution over time. Stockholders who receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

Our share ownership is concentrated.

As of April 1, 2019 the Partnerships beneficially own approximately 95% of our outstanding common stock. As a result, the Partnerships will exert significant influence over all matters requiring stockholder approval, including the election and removal of directors, any merger, consolidation or sale of all or substantially all of the assets, as well as any charter amendment and other matters requiring stockholder approval. This concentration of ownership may delay or prevent a change in control and may have a negative impact on the market price of our common stock by discouraging third party investors. In addition, the interests of the Partnerships may not always coincide with the interests of our other stockholders.

The Company's common stock may be subject to the penny stock rules which might make it harder for stockholders to sell.

As a result of our stock price, our shares are subject to the penny stock rules. Because a “penny stock” is, generally speaking, one selling for less than \$5.00 per share, the Company’s common stock may be subject to the foregoing rules. The application of the penny stock rules may affect stockholders’ ability to sell their shares because some broker-dealers may not be willing to make a market in the Company’s common stock because of the burdens imposed upon them by the penny stock rules which include but are not limited to:

Section 15(g) of the Securities Exchange Act of 1934 and SEC Rules 15g-1 through 15g-6, which impose additional sales practice requirements on broker-dealers who sell Company securities to persons other than established customers and accredited investors.

Rule 15g-2 declares unlawful any broker-dealer transactions in penny stocks unless the broker-dealer has first provided to the customer a standardized disclosure document.

Rule 15g-3 provides that it is unlawful for a broker-dealer to engage in a penny stock transaction unless the broker-dealer first discloses and subsequently confirms to the customer the current quotation prices or similar market information concerning the penny stock in question.

Rule 15g-4 prohibits broker-dealers from completing penny stock transactions for a customer unless the broker-dealer first discloses to the customer the amount of compensation or other remuneration received as a result of the penny stock transaction.

Rule 15g-5 requires that a broker-dealer executing a penny stock transaction, other than one exempt under Rule 15g-1, disclose to its customer, at the time of or prior to the transaction, information about the sales persons compensation.

Potential stockholders of the Company should also be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) “boiler room” practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

The Company does not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 800 Turnpike Street, Suite 300, North Andover, Massachusetts 01845. Our headquarters are provided to us by House Hanover, our investment adviser since January 1, 2018. We believe that our office facilities are suitable and adequate for our business as we contemplate conducting it.

Item 3. LEGAL PROCEEDINGS

As of December 31, 2018, there were no material legal proceedings against the Company or any of its officers or directors.

From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company's rights under contracts with its portfolio companies. The Company is not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is currently traded on the Over the Counter Pink Sheets under the symbol "PIAC" where we expect it to remain in the foreseeable future. Prior to April 20, 2015, our common stock was traded under the symbol "RONE". Broker-dealers often decline to trade in OTC Pink Sheet stocks given the markets for such securities are often limited, the stocks are more volatile, and the risk to investors is greater. These factors may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of their shares. This could cause our stock price to decline.

Quarter Ending	Quarterly High	Quarterly Low
December 31, 2018	\$ 0.20	\$ 0.13
September 30, 2018	\$ 0.30	\$ 0.20
June 30, 2018	\$ 0.20	\$ 0.11
March 31, 2018	\$ 0.11	\$ 0.10
December 31, 2017	\$ 0.30	\$ 0.10
September 30, 2017	\$ 0.32	\$ 0.26
June 30, 2017	\$ 0.25	\$ 0.15
March 31, 2017	\$ 0.30	\$ 0.30
December 31, 2016	\$ 0.21	\$ 0.21
September 30, 2016	\$ 0.73	\$ 0.10
June 30, 2016	\$ 0.35	\$ 0.06
March 31, 2016	\$ 0.31	\$ 0.02

Notwithstanding the forgoing, our common stock is sporadically and thinly trading. Accordingly, although there appears to be quotation information, the Company does not believe that there exists an established public market for our securities. Further, there can be no assurance the current market for the Company's common stock will be sustained or grow in the future.

Holders of record

As of March 19, 2019, there were 36 shareholders of our common stock.

The number of record holders reflects shares held by a broker as one record holder. The underlying shares may be held by one or more beneficial owners.

The Company feels the actual number of common stock holders may be significantly higher as 1,599,722 shares of common stock are held in street name which reflected approximately 1.33% of the outstanding shares of common stock as of March 19, 2019, according to our transfer agent.

Dividends

Our dividends, if any, are determined by our board of directors. To date since the Reincorporation, no dividends have been declared or distributed to stockholders. The Company will be taxed as a C corporation and subject to federal and state corporation income taxes for its 2017 and 2018 taxable years. We will not qualify for the 2018 tax year to be treated for federal income tax purposes as a RIC under Subchapter M of the Code.

To qualify for RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. We may, in the future, make actual distributions to our stockholders of our net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

In connection with the transactions with the Partnerships, we adopted an "opt out" dividend reinvestment plan ("DRIP") for our common stockholders. As a result, if we make cash distributions, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions.

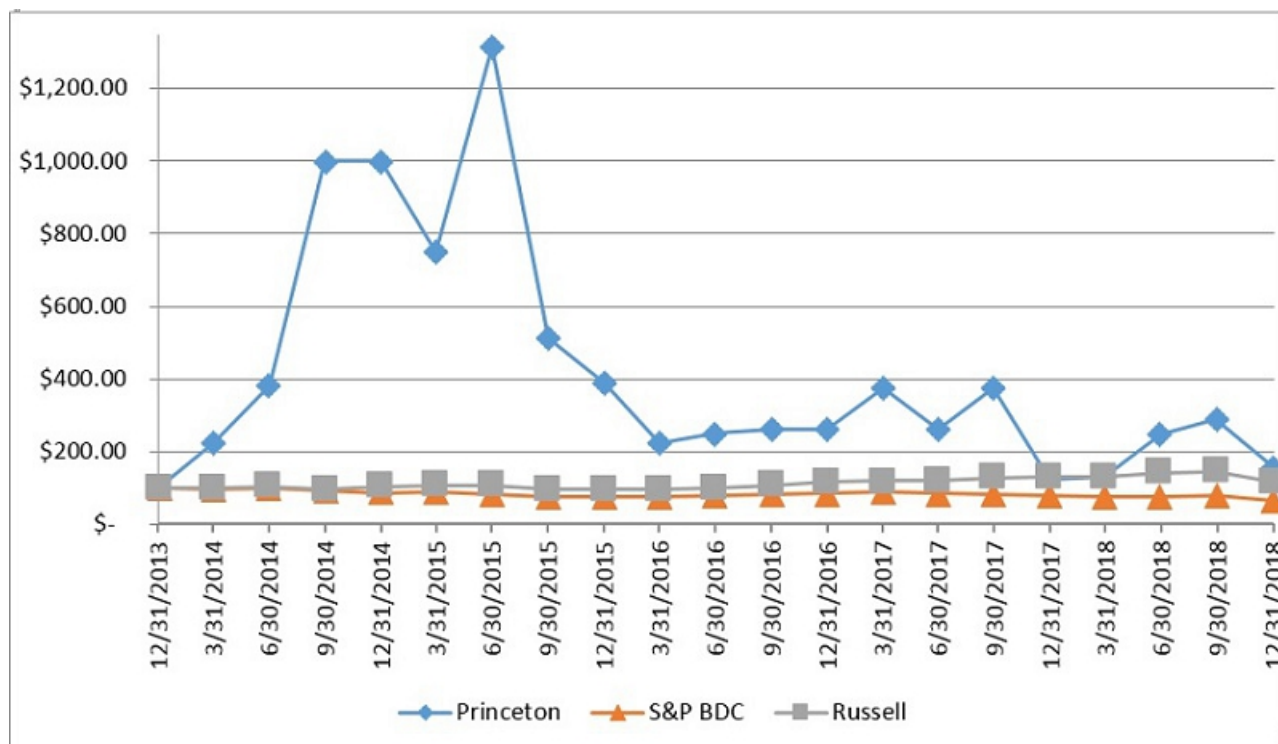
For each of the fiscal years ended December 31, 2018 and 2017, the Company did not declare any cash dividends on the Company's common stock.

Sale of Unregistered Securities

There were no sales of unregistered securities during the year ended December 31, 2018.

Stock Performance Graph

This graph compares the return on our common stock with that of the S&P BDC Index and the Russell 2000 Index, for the past five fiscal years. The graph assumes that, on December 31, 2013, a person invested \$100 in each of our common stock, the S&P BDC Index and the Russell 2000 Financial Services Index. The graph measures total shareholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are reinvested in like securities. Our Company is quoted on the over-the-counter bulletin board through Pink Sheets and are thus not traded on a public exchange.



The graph and other information furnished under this Part II Item 5 of this Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the 1934 Act. The stock price performance included in the above graph is not necessarily indicative of future stock price performance.

Issuer Purchases of Equity Securities

During the year ended December 31, 2018, there were no purchases made by or on behalf of the issuer of shares of equity securities.

EQUITY COMPENSATION PLAN INFORMATION

1995 Employee & Consultant Incentive Benefit Plan

Our board of directors adopted the 1995 Employee & Consultant Incentive Benefit Plan (“1995 Stock Plan”) on May 3, 1995, and it was subsequently approved by our stockholders. The 1995 Stock Plan provided for the grant of stock options or stock to our employees, directors, and consultants. The 1995 Stock Plan originally provided for the issuance of 3,000,000 shares of which 2,019,014 are issued and outstanding. As of December 31, 2018, there were no outstanding options to purchase any additional shares under the plan as the plan has been cancelled. The 1995 Stock Plan was a plan of Regal One.

Item 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and related notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report.

Financial Position as of December 31:

	2018	2017	2016	2015	2014
Total assets	\$ 41,970,679	\$ 41,948,380	\$ 99,819,764	\$ 50,018,474	\$ 493,272
Total liabilities	415,728	540,841	55,834,445	1,792,911	31,250
Net assets	\$ 41,554,951	\$ 41,407,539	\$ 43,985,319	\$ 48,225,563	\$ 462,022
Net asset value per outstanding share	0.345	0.344	0.365	0.400	0.127
Common shares outstanding	120,486,061	120,486,061	120,486,061	120,486,061	3,633,067

Operating Data for the last five fiscal years ended December 31:

	2018	2017	2016	2015	2014
Total investment income	\$ 3,276,525	\$ 2,433,546	\$ 2,286,334	\$ 3,094,550	\$ -
Net expenses (including taxes)	2,236,962	1,417,992	2,784,429	4,320,992	261,966
Net investment income (loss)	\$ 1,039,563	\$ 1,015,554	\$ (498,095)	\$ (1,226,442)	\$ (261,966)

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Form 10-K.

References herein to “we”, “us” or “our” refer to Princeton Capital Corporation (the “Company” or “Princeton Capital”), unless the context specifically requires otherwise.

Forward-Looking Statements

Some of the statements in this annual report on Form 10-K constitute forward-looking statements, which relate to future events or our future performance or financial condition. Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words “may,” “might,” “will,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “estimate,” “anticipate,” “predict,” “potential,” “plan” or similar words. The forward-looking statements contained in this annual report on Form 10-K involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the effect of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with our investment advisor;
- the dependence of our future success on the general economy and its effect on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- the use of borrowed money to finance a portion of our investments;
- the adequacy of our financing sources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;

- the ability of our investment advisor to locate suitable investments for us and to monitor and administer our investments;
- the ability of our investment advisor to attract and retain highly talented professionals;
- our ability to qualify and maintain our qualification as a regulated investment company and as a business development company; and
- the effect of future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies or regulated investment companies.

We have based the forward-looking statements included in this annual report on Form 10-K on information available to us on the date of this annual report on Form 10-K, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law or Securities and Exchange Commission (“SEC”) rule or regulation. You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

We are an externally managed, non-diversified, closed-end investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act” or “Investment Company Act”). We originate and invest primarily in private small and lower middle-market companies (typically those with less than \$20.0 million of EBITDA) through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, often times with a corresponding equity investment. Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and related equity investments in private small and lower middle-market companies. Until June 9, 2016, we were managed by Princeton Investment Advisors, LLC, a Delaware limited liability company (“Princeton Investment Advisors”). From June 9, 2016, the date that the Company’s stockholders approved the investment advisory agreement with Princeton Advisory Group, Inc. (“Princeton Advisory Group”), through December 31, 2017, we were managed by Princeton Advisory Group, who also provided the administrative services necessary for us to operate. Since January 1, 2018, we have been managed by House Hanover, LLC (“House Hanover”).

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” Under the relevant SEC rules, the term “eligible portfolio company” includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than \$250 million, in each case organized in the United States.

Corporate History

In order to expedite the ramp-up of our investment activities and further our ability to meet our investment objectives on March 13, 2015, we (i) acquired approximately \$11.2 million in cash, \$43.5 million in equity and debt investments, and \$1.9 million in restricted cash escrow deposits of Capital Point Partners, L.P. (“CPP”) and Capital Point Partners II, L.P. (“CPPII”) (together, the “Partnerships”), and (ii) issued approximately 115.5 million shares of our common stock based on a pre-valuation presumed fair value of \$60.9 million and on a price of approximately \$0.53 per share. We now seek to invest primarily in private small and lower middle market companies in various industries.

On an annual basis, we intend to elect to be treated for tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. As a RIC, we generally will not have to pay corporate-level taxes on any income we distribute to our stockholders. We did not meet the qualifications of a RIC for the 2017 or 2018 tax years and will be taxed as a corporation under Subchapter C of the Code.

Portfolio Composition and Investment Activity

Portfolio Composition

We originate and invest primarily in private small and lower middle-market companies through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, and corresponding equity investments.

At December 31, 2018, the Company had investments in 8 portfolio companies. The total cost and fair value of the total investments were approximately \$53.3 million and \$38.6 million, respectively. The composition of our investments by asset class as of December 31, 2018 is as follows:

Investments	Cost	Fair Value	Percentage of Total Portfolio
Portfolio Investments			
First Lien Loans	\$ 14,974,530	\$ 14,022,163	36.3%
Second Lien Loans	20,463,573	18,103,815	46.9
Unsecured Loans	1,352,225	1,102,463	2.9
Equity	16,483,889	5,355,494	13.9
Total Portfolio Investments	53,274,217	38,583,935	100.0
Total Investments	\$ 53,274,217	\$ 38,583,935	100.0%

At December 31, 2017, the Company had investments in 9 portfolio companies. The total cost and fair value of the total investments were approximately \$52.9 million and \$39.0 million, respectively. The composition of our investments by asset class as of December 31, 2017 is as follows:

Investments	Cost	Fair Value	Percentage of Total Portfolio
Portfolio Investments			
First Lien Loans	\$ 14,668,076	\$ 14,965,218	38.4%
Second Lien Loans	20,326,135	18,665,936	47.9
Unsecured Loans	1,379,147	1,232,812	3.2
Equity	16,483,889	4,086,794	10.5
Total Portfolio Investments	52,857,247	38,950,760	100.0
Total Investments	\$ 52,857,247	\$ 38,950,760	100.0%

At December 31, 2018, our weighted average yield based upon cost of our portfolio investments was approximately 9.72% of which approximately 8.73% is current cash interest. At December 31, 2017, our weighted average yield based upon cost of our portfolio investments was approximately 8.89% of which approximately 8.24% is current cash interest.

At December 31, 2018, we held no United States Treasury securities. United States Treasury securities may be purchased and temporarily held in connection with complying with RIC diversification requirements under Subchapter M of the Code. At December 31, 2017, we did not hold United States Treasury securities.

Investment Activity

Our level of investment activity can vary substantially from period to period depending on many factors, including the amount of debt and equity capital to middle market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

The primary portfolio investment activities for the year ended December 31, 2018 are as follows:

- On January 1, 2018, the Company consolidated the prior bridge loans to Advantis Certified Staffing Solutions, Inc. into one note in the amount of \$813,225. The note will bear an annual interest rate of 5% paid quarterly with a maturity of December 31, 2018.
- On January 25, 2018, the Company made a short term bridge loan to Advantis Certified Staffing Solutions, Inc. in the amount of \$90,000 for working capital needs. The note will bear an annual interest rate of 5% paid quarterly with a maturity of December 31, 2018.
- On February 13, 2018, the Company entered into a Forbearance Letter Agreement (the “Forbearance”) with Lone Star Brewery Development, Inc. for a maximum period of two years. During this period, the Company agreed to forbear from exercising and enforcing certain rights and remedies which the Company is entitled to and to accept a payoff equal to \$7,500,000 plus 25% of the net sales proceeds/value of the property if by December 31, 2018 or \$8,000,000 plus 25% of the net sales proceeds/value if on or after January 1, 2019. In return, Lone Star Brewery Development, Inc. refinanced out the first lien holder with a new lender in the amount of \$11,000,000, put \$3,248,000 into the project and paid the Company a forbearance fee at closing of \$50,000. In connection with this Forbearance, the Company made a partial release of lien on an approximate three-acre tract of land to a lender with a lien that was senior to the Company’s lien.
- On February 20, 2018, the Company amended the Rockfish Seafood Grill, Inc. Revolving Line of Credit (“RSG Revolver”) to increase the maximum principal amount to \$1,821,000 for restaurant improvements and enhancements. In connection with this amendment, Rockfish Seafood Grill, Inc. agreed to make the RSG Revolver a performing loan on a quarter basis with payments resuming on March 31, 2018.
- On February 26, 2018, the Company made a short term bridge loan to Advantis Certified Staffing Solutions, Inc. in the amount of \$150,000 for working capital needs. The note will bear an annual interest rate of 8% with all interest and principal due on maturity of December 31, 2018.
- On March 22, 2018, the Company made a loan to Dominion Medical Management, Inc. (“Dominion”), a wholly owned subsidiary of Integrated Medical Partners, LLC, in the amount of \$600,000 for working capital needs and amended, restated and consolidated the two prior notes. The new consolidated note has a principal balance of \$1,085,256 and will accrue and pay interest only on a quarterly basis at an annual rate of 18.0%. Dominion has the option to defer 6.0% of the annual rate of interest which will compound quarterly on the payment date. The maturity date of the new note is March 1, 2019.
- On April 12, 2018, the Company funded \$100,000 on the RSG Revolver.
- On April 24, 2018, the Company made a short term bridge loan to Advantis Certified Staffing Solutions, Inc. in the amount of \$110,000 for working capital needs. The note will bear an annual interest rate of 8% with all interest and principal due on maturity of December 31, 2018.
- On June 4, 2018, the Company made a short term bridge loan to Advantis Certified Staffing Solutions, Inc. in the amount of \$175,000 for working capital needs. The note will bear an annual interest rate of 10.75% with all interest and principal due on maturity of December 31, 2018.
- On July 12, 2018, the Company funded \$100,000 on the RSG Revolver, making it fully funded.
- Effective July 27, 2018 Rockfish Holdings, LLC and the Company entered into an amendment of its warrant agreement and warrant to extend the expiration of the warrant until July 28, 2028.
- On October 29, 2018, the Company issued a Notice of Default on its loan to Great Value Storage for non-payment of interest due on September 30, 2018.
- On November 15, 2018, the Company received payment in full in the amount of \$1,000,000 on its participation in the loan from Capital Foundry Funding, LLC to ECM Energy Services, Inc.

Asset Quality

In addition to various risk management and monitoring tools, our investment advisor used an investment rating system to characterize and monitor the quality of our debt investment portfolio. Equity securities and Treasury Bills are not graded. This debt investment rating system uses a five-level numeric scale. The following is a description of the conditions associated with each investment rating:

Investment Rating	Summary Description
1	Investments that are performing above expectations, and whose risks remain favorable compared to the expected risk at the time of the original investment.
2	Investments that are performing within expectations and whose risks remain neutral compared to the expected risk at the time of the original investment. All new loans will initially be rated 2.
3	Investments that are performing below expectations and that require closer monitoring, but where no loss of return or principal is expected. Portfolio companies with a rating of 3 may be out of compliance with financial covenants.
4	Investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are often in work out. Investments with a rating of 4 will be those for which some loss of return but no loss of principal is expected.
5	Investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments almost always in work out. Investments with a rating of 5 are those for which some loss of return and principal is expected.

The following table shows the investment rankings of our debt investments at fair value as of December 31, 2018 and December 31, 2017:

Investment Rating	As of December 31, 2018			As of December 31, 2017		
	Fair Value	% of Total Portfolio	Number of Portfolio Companies	Fair Value	% of Total Portfolio	Number of Portfolio Companies
1	\$ —	—	—	\$ —	—	—
2	7,709,928	19.98	3	14,535,933	37.3%	5
3	—	—	—	—	—	—
4	25,518,513	66.14	4	20,328,033	52.2%	3
5	—	—	—	—	—	—
	<u>\$ 33,228,441</u>	<u>86.12</u>	<u>7</u>	<u>\$ 34,863,966</u>	<u>89.5%</u>	<u>8</u>

Loans and Debt Securities on Non-Accrual Status

We will not accrue interest on loans and debt securities if we have reason to doubt our ability to collect such interest. As of December 31, 2018, we had 3 loans on non-accrual status and as of December 31, 2017, we had 3 loans on non-accrual status.

Results of Operations

An important measure of our financial performance is net increase (decrease) in net assets resulting from operations, which includes net investment income (loss), net realized gain (loss) and net change in unrealized gain (loss). Net investment income (loss) is the difference between our income from interest, dividends, fees and other investment income and our operating expenses including interest on borrowed funds. Net realized gain (loss) on investments is the difference between the proceeds received from dispositions of portfolio investments and their amortized cost. Net change in unrealized gain (loss) on investments is the net change in the fair value of our investment portfolio.

Revenues

We generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on investment securities that we may acquire in portfolio companies. Our debt investments typically have a term of five to seven years and bear interest at a fixed or floating rate. Interest on our debt securities is generally payable quarterly. Payments of principal on our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt investments may pay interest in-kind, or PIK. Any outstanding principal amount of our debt securities and any accrued but unpaid interest will generally become due at the maturity date. The level of interest income we receive is directly related to the balance of interest-bearing investments multiplied by the weighted average yield of our investments. We expect that the dollar amount of interest and any dividend income that we earn to increase as the size of our investment portfolio increases. In addition, we may generate revenue in the form of prepayment fees, commitment, loan origination, structuring or due diligence fees, fees for providing managerial assistance and possibly consulting fees. These fees will be reorganized as they are earned.

Expenses

Our primary operating expenses include the payment of fees to House Hanover (and to Princeton Advisory Group for the period prior to January 1, 2018) and our allocable portion of overhead expenses under the investment advisory agreements and other operating costs described below. We bear all other out-of-pocket costs and expenses of our operations and transactions, which may include:

- organizational and offering expenses;
- expenses incurred in valuing the Company's assets and computing its net asset value per share (including the cost and expenses of any independent valuation firm);
- subject to the guidelines approved by the Board of Directors, expenses incurred by our investment advisor that are payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on the Company's prospective portfolio companies or otherwise related to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance the Company's investments and expenses related to unsuccessful portfolio acquisition efforts;
- offerings of the Company's common stock and other securities;
- administration fees;
- transfer agent and custody fees and expenses;
- U.S. federal and state registration fees of the Company (but not our investment advisor);
- all costs of registration and listing the Company's shares on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required of the Company (but not our investment advisor) by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- the costs associated with individual or group stockholders;
- the Company's allocable portion of the fidelity bond, directors' and officers'/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration and operation of the Company, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
- and all other non-investment advisory expenses incurred by the Company in connection with administering the Company's business.

Comparison of the Years Ended December 31, 2018, 2017, and 2016

	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	Total	Per Share ⁽¹⁾	Total	Per Share ⁽¹⁾	Total	Per Share ⁽¹⁾
Investment income						
Interest income ⁽²⁾	\$1,933,907	\$0.016	\$1,414,838	\$0.012	\$1,489,207	\$0.012
Dividend income	-	-	-	-	740,741	0.007
Other income	1,342,618	0.011	1,018,708	0.008	56,386	-
Total investment income	3,276,525	0.027	2,433,546	0.020	2,286,334	0.019
Operating expenses						
Management fees	402,750	0.003	407,609	0.003	641,374	0.005
Administration fees	414,000	0.003	339,647	0.003	396,316	0.003
Professional fees	968,327	0.009	403,570	0.003	1,208,143	0.010
Directors' fees	155,000	0.001	145,288	0.001	184,871	0.002
Insurance expense	120,683	0.001	158,557	0.001	113,698	0.001
Interest expense	46,568	-	62,960	0.001	83,200	0.001
Other general and administrative expenses	111,773	0.001	88,855	0.001	115,704	0.001
Total operating expenses	2,219,101	0.018	1,606,486	0.013	2,743,306	0.023
Management fee waiver ⁽³⁾	-	-	(216,559)	(0.002)	-	-
Total net operating expenses	2,219,101	0.018	1,389,927	0.012	2,743,306	0.023
Net investment income (loss) before tax	1,057,424	0.009	1,043,619	0.009	(456,972)	(0.004)
Income tax expense	17,861	-	28,065	-	41,123	-
Net investment income (loss) after tax	1,039,563	0.009	1,015,554	0.008	(498,095)	(0.004)
Net change in unrealized loss	(783,795)	(0.007)	(4,182,445)	(0.035)	(2,280,862)	(0.019)
Net realized gain (loss)	(108,356)	(0.001)	589,111	0.005	(1,461,887)	(0.012)
Net increase decrease in net assets resulting from operations	147,412	0.001	(2,577,780)	(0.021)	(4,240,844)	(0.035)

(1) The basic per share figures noted above are based on a weighted average of 120,486,061, 120,486,061 and 120,486,061 shares outstanding for the years ended December 31, 2018, 2017, and 2016, respectively, except where such amounts need to be adjusted to be consistent with what is disclosed in the financial highlights of our financial statements.

(2) Interest income includes PIK interest of \$188,353, \$133,444, and \$507,029, for the years ended December 31, 2018, 2017, and 2016, respectively.

(3) On October 18, 2017, as part of a settlement agreement, \$216,559 of previously accrued management fees due to Princeton Investment Advisors were reversed. These are reflected as management fee waiver on the statement of operations.

Operating Expenses

Total net operating expenses increased from \$1,389,927 for the year ended December 31, 2017 to \$2,219,101 for the year ended December 31, 2018. The increase is primarily due to an increase in professional fees, administration fees, valuation fees and other general and administrative expenses for the year ended December 31, 2018.

Total net operating expenses per share increased from \$0.012 per share for the year ended December 31, 2017 to \$0.018 per share for the year ended December 31, 2018.

Total net operating expenses decreased from \$2,743,306 for the year ended December 31, 2016 to \$1,389,927 for the year ended December 31, 2017. The decrease is primarily due to a decrease in management fees, professional fees and valuation fees for the year ended December 31, 2016.

Total net operating expenses per share decreased from \$0.023 per share for the year ended December 31, 2016 to \$0.012 per share for the year ended December 31, 2017.

Net Investment Income (Loss)

Net investment income (after tax) increased from \$1,015,554 for the year ended December 31, 2017 to \$1,039,563 for the year ended December 31, 2018. This increase is primarily due to an increase in interest income as well as a increase in other income for the year ended December 31, 2018.

Net investment income (after tax) per share increased from \$0.008 per share for the year ended December 31, 2017 to \$0.009 per share for the year ended December 31, 2018.

Net investment income (loss) (after tax) decreased from a loss of \$(498,095) for the year ended December 31, 2016 to income of \$1,015,554 for the year ended December 31, 2017. This decrease in a loss was primarily due to a decrease in management fees, professional fees, and valuation fees for the year ended December 31, 2016.

Net investment income (loss) (after tax) per share decreased from a loss of \$(0.004) per share for the year ended December 31, 2016 to income of \$0.008 per share for the year ended December 31, 2017.

Net Realized Gain (Loss)

We measure realized gains (losses) by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized.

For the year ended December 31, 2018, we recognized \$108,356 of realized loss in connection with a post-sale contribution to Spencer Enterprises Holdings, LLC for a working capital adjustment.

For the year ended December 31, 2017, we recognized \$589,111 of realized gain primarily in connection with the sale of Spencer Enterprises, Inc. preferred stock.

For the year ended December 31, 2016, we recognized \$(1,461,887) of realized loss primarily in connection with the restructuring of the investment in Advantis Certified Staffing Solutions, Inc. as well as a loss in connection with the expiration of the Neuralstem, Inc. warrant.

Net Change in Unrealized Gain (Loss)

Net change in unrealized gain (loss) primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded appreciation or depreciation when gains or losses are realized.

Net change in unrealized gain (loss) on investments totaled a loss of \$(783,795) for the year ended December 31, 2018 primarily in connection with losses of \$1,681,611, \$903,537, \$833,071 on Advantis Certified Staffing Solutions, Inc., Great Value Storage, LLC and Integrated Medical Partners, LLC, respectively, partially offset by gains of \$2,535,938, \$450,000 and \$354,967 on Performance Alloys, Inc., Lone Star Brewery Development, Inc. and PCC SBH Sub, Inc.

Net change in unrealized gain (loss) on investments totaled a loss of \$(4,182,445) for the year ended December 31, 2017 primarily in connection with a loss of \$(1,492,923) on Class A preferred membership units in Integrated Medical Partners, LLC, a loss of \$(954,726) on the common stock of PCC SBH Sub, Inc., a loss of \$(896,779) membership interest – Class A units in Rockfish Holdings, LLC and a loss of \$(1,067,615) on the investments held in Advantis Certified Staffing Solutions, Inc., prior to the restructuring.

Net change in unrealized gain (loss) on investments totaled a loss of \$(2,280,862) for the year ended December 31, 2016 primarily in connection with a loss of \$(4,499,519) on the membership interest – Class B units in Performance Alloys, Inc. due to restructuring and a loss of \$(2,076,000) on the second lien loan to Lone Star Brewery Development, Inc. and offset by a gain of \$2,539,275 on the second lien loan to Performance Alloys, Inc. and a gain of \$1,904,324 on the investments held in Advantis Certified Staffing Solutions, Inc., prior to the restructuring.

Financial Condition, Liquidity and Capital Resources

We intend to continue to generate cash from future offerings of securities and cash flows from operations, including earnings on investments in our portfolio and future investments, as well as interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. We may, if permitted by regulation, seek various forms of leverage and borrow funds to make investments.

As of December 31, 2018, we had \$2,575,620 in cash, and our net assets totaled \$41,554,951. We believe that our anticipated cash flows from operations will be adequate to meet our cash needs for our daily operations for at least the next 12 months.

Contractual Obligations

As of December 31, 2018, we did not have any contractual obligations that would trigger the tabular disclosure of contractual obligations under Section 303(a)(5) of Regulation S-K.

We have entered into one contract under which we have material future commitments, the House Hanover Investment Advisory Agreement, pursuant to which House Hanover serves as our investment adviser. Payments under the House Hanover Investment Advisory Agreement in future periods will be equal to a percentage of the value of our net assets.

The House Hanover Investment Advisory Agreement is terminable by either party without penalty upon written notice by the Company or 60 days' written notice by Hanover. If this agreement is terminated, the costs we incur under a new agreement may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our investment advisory agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

Distributions

In order to qualify as a RIC and to avoid U.S. federal corporate level income tax on the income we distribute to our stockholders, we are required to distribute at least 90% of our net ordinary income and our net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, we must distribute an amount at least equal to the sum of 98% of our net ordinary income (during the calendar year) plus 98.2% of our net capital gain income (during each 12-month period ending on October 31) plus any net ordinary income and capital gain net income for preceding years that were not distributed during such years and on which we paid no U.S. federal income tax to avoid a U.S. federal excise tax. To the extent that we have income available, we intend to make quarterly distributions to our stockholders. Our stockholder distributions, if any, will be determined by our board of directors on a quarterly basis. Any distribution to our stockholders will be declared out of assets legally available for distribution. The Company will not meet the requirements to qualify as a RIC for the 2017 or 2018 tax years.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we could suffer adverse tax consequences, including the possible loss of any qualification as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying any stockholder distribution carefully and should not assume that the source of any distribution is our ordinary income or capital gains.

We have adopted an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, the stockholders' cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically "opts out" of our dividend reinvestment plan. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Related Party Transactions

Management Fees

Management fees under the House Hanover Investment Advisory Agreement for the year ended December 31, 2018 were \$402,750. As of December 31, 2018 and December 31, 2017, management fees of \$81,296 and \$0, respectively, were payable to House Hanover.

Management fees under the PAG Investment Advisory Agreement for the year ended December 31, 2017 were \$407,609. As of December 31, 2018 and December 31, 2017, management fees of \$19,282 and \$94,282, respectively, were payable to Princeton Advisory Group. Management fees under the PAG Investment Advisory Agreement for the year ended December 31, 2016 were \$275,569.

Management fees under the PIA Investment Advisory Agreement for the year ended December 31, 2016 were \$365,805. On October 18, 2017, as part of a settlement agreement, \$216,559 of previously accrued management fees due to Princeton Investment Advisors were reversed. These are reflected as management fee waiver on the statement of operations.

Incentive Fees

The Company is not obligated to pay Princeton Advisory Group or House Hanover an incentive fee.

There were no incentive fees earned by Princeton Investment Advisors for the year ended December 31, 2016.

Other Related Party Transactions

On March 30, 2016, the Company, as Borrower, entered into a Term Loan in the amount of \$1,500,000 with Sema4, Inc. and Princeton Advisory Group, as Lenders in order to purchase certain assets to attempt to qualify as a RIC. Sema4, Inc. committed \$1,000,000 and Princeton Advisory Group committed \$500,000. The loan was repaid in full with interest at a rate of 10.0% per annum on April 8, 2016. Sema4, Inc. is owned by Mark DiSalvo, the Company's Interim President, Interim Chief Executive Officer, and a director of the Company, and is the general partner of CPP and CPPII, which own approximately 87% and 9% of our common stock, respectively. Princeton Advisory Group is wholly owned by Munish Sood, a former Director, the former President, and former CEO of the Company.

As disclosed in the Company's Form 8-K filed with the SEC on June 30, 2016, on June 28, 2016, the Company, as Borrower, entered into a Term Loan in the amount of \$390,000 with Munish Sood, as Lender, in order to purchase certain assets to qualify as a RIC. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan was repaid in full with interest at a rate of 10.0% per annum on July 11, 2016.

As disclosed in the Company's Form 8-K filed with the SEC on September 16, 2016, on September 12, 2016, the Company, as a Borrower, entered into a Term Loan in the amount of \$225,000 with Munish Sood, as Lender, in order to fund capital to one of its portfolio companies, Rockfish Seafood Grill, Inc. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan will bear interest at a rate of 10.0% per annum and matures on December 12, 2016. As disclosed in the Company's Form 8-K filed with the SEC on October 27, 2016, on October 21, 2016, Munish Sood lent an additional \$140,000 under this Term Loan. On March 29, 2017, Munish Sood, in order to purchase certain assets to attempt to qualify as a RIC, lent an additional \$450,000 under this Term Loan and extended the maturity date to June 30, 2017. On April 10, 2017, the Company made a principal and interest payment totaling \$450,984 on this Term Loan. The loan was repaid in full with interest on July 17, 2017.

As disclosed in the Company's Form 8-K filed with the SEC on October 5, 2016, on September 29, 2016 the Company, as Borrower, entered into a Term Loan in the amount of \$470,000 with Munish Sood, as Lender, in order to purchase certain assets to attempt to qualify as a RIC. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan was repaid in full with interest at a rate of 10.0% per annum on October 7, 2016.

On June 28, 2017, Munish Sood made a non-interest bearing short term loan to Advantis Certified Staffing Solutions, Inc., one of the Company's portfolio companies, in the amount of \$89,225 for a short term working capital need. The loan was repaid without interest on July 5, 2017.

Recent Accounting Pronouncements

See Note 2 of the financial statements for a description of recent accounting pronouncements, if any, including the expected dates of adoption and the anticipated impact on the financial statements.

Critical Accounting Policies

The preparation of our financial statements and related disclosures in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, our significant accounting policies are further described in the notes to the financial statements.

Valuation of Portfolio Investments

As a BDC, we generally invest in illiquid loans and securities including debt and equity securities of middle-market companies. Under procedures established by our board of directors, we value investments for which market quotations are readily available at such market quotations. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by our board of directors. Such determination of fair values may involve subjective judgments and estimates, although we engage independent valuation providers to review the valuation of each portfolio investment that does not have a readily available market quotation at least twice annually. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximate fair value. With respect to unquoted securities, our board of directors, together with our independent valuation advisors, values each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board of directors uses the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because there is not a readily available market for substantially all of the investments in our portfolio, we value our portfolio investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by an independent valuation firm, except for those investments where market quotations are readily available;
- Preliminary valuation conclusions are then documented and discussed with our senior management, our investment advisor, and our auditors;
- The valuation committee of our board of directors then reviews these preliminary valuations and approves them for recommendation to the board of directors;
- The board of directors then discusses valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our investment advisor, the independent valuation firm and the valuation committee.

Revenue Recognition

Realized gain (loss) on the sale of investments is the difference between the proceeds received from dispositions of portfolio investments and their stated costs. Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that such PIK interest is not collectible. Generally, we will not accrue interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount and market discount or premium are capitalized, and we then accrete or amortize such amounts using the effective interest method as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination is recorded as interest income. We record prepayment premiums on loans and debt securities as interest income.

Dividend income, if any, will be recognized on the ex-dividend date.

Generally, when a payment default occurs on a loan in the portfolio, or if the Company otherwise believes that borrower will not be able to make contractual interest payments, the Company may place the loan on non-accrual status and cease recognizing interest income on the loan until all principal and interest is current through payment, or until a restructuring occurs, and the interest income is deemed to be collectible. The Company may make exceptions to this policy if a loan has sufficient collateral value, is in the process of collection or is viewed to be able to pay all amounts due if the loan were to be collected on through an investment in or sale of the business, the sale of the assets of the business, or some portion or combination thereof.

Recent Developments

Portfolio Activity

- On February 28, 2019, the Company made a loan to Capital Foundry Funding, LLC and CF Energy Finance, LLC (together, “Capital Foundry”) in the amount of \$1,000,000. The loan will bear an interest rate of Prime as published in the Wall Street Journal with a floor of 4.25% and has a collateral management fee of 0.68% per month. This loan is secured by a second-priority collateral assignment of all loan documents between Capital Foundry and its various borrowers. The Company has also obtained an unlimited guaranty from Capital Foundry, LLC, along with personal guaranties from the principals of Capital Foundry that reduces as additional equity is put into their loan portfolio. The maturity date on the loan is April 21, 2020.
- On March 1, 2019, the Company made a loan to Dominion Medical Management, Inc. (“Dominion”), a wholly owned subsidiary of Intergrated Medical Partners, LLC, in the amount of \$586,128.02. This amount was consolidated in to the existing second lien loan outstanding from Dominion. Dominion has agreed to pay \$35,000 per month plus an approximately \$258,000 from expected federal tax refunds until the principal amount of this new loan is paid in full. The maturity date of the loan was also extended until March 31, 2020.
- On March 8, 2019, the Company received a payment of \$258,774 from Dominion related to their agreement to pay the Company that amount from expected federal tax refunds. Of this amount, \$47,000 was applied to outstanding invoices from the Company to Dominion related to legal fee reimbursement with the remaining \$211,744 applied to principal and interest on the outstanding second lien loan.
- On March 19, 2019, the Company amended the Rockfish Seafood Grill, Inc. Revolving Line of Credit (“RSG Revolver”) to increase the maximum principal amount to \$1,921,000 for restaurant improvements and enhancements and to extend the maturity date to December 31, 2019.
- On March 19, 2019, the Company entered into a letter agreement with regards to the promissory note with PCC SBH Sub, Inc. to extend the maturity date to December 31, 2019.
- On March 20, 2019, the Company entered into a letter agreement with regards to all outstanding bridge loans to Advantis Certified Staffing Solutions, Inc. to extend their maturity dates to December 31, 2019.
- On March 21, 2019, the Company funded \$100,000 on the RSG Revolver, making it fully funded.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. As of December 31, 2018, all of our debt investments in our portfolio bore interest at a fixed rate. We had 1 debt investment which bore interest at a variable rate during the quarter, but was paid in full prior to the end of the quarter, representing approximately \$1,000,000 and \$1,000,000 in debt at fair value and cost, respectively. The variable interest rate is based on the US Prime Rate.

To illustrate the potential impact of a change in the underlying interest rate on our net investment income, we have assumed a 1%, 2%, and 3% increase along with a 1%, 2%, and 3% decrease in the underlying US Prime Rate, and no other changes in our portfolio as of December 31, 2018. The below table illustrates the effect such assumed rate changes would have on an annual basis.

US Prime Rate Increase (Decrease)	Increase (Decrease) on Net Investment Income ⁽¹⁾	
3.00%	\$	30,000
2.00%	\$	20,000
1.00%	\$	10,000
(1.00)%		-
(2.00)%		-
(3.00)%		-

(1) There is no decrease on Net Investment Income due to a payable rate on our 1 variable rate debt instrument of US Prime Rate plus 1%, with a rate floor on the US Prime Rate of 4.25%.

This analysis does not adjust for changes in the credit quality, size and composition of our portfolio, and other business developments that could affect the net increase or decrease in net assets resulting from operations. Accordingly, no assurances can be given that actual results would not differ materially from the results under this analysis.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Princeton Capital Corporation

Opinion on the Financial Statements

We have audited the accompanying statements of assets and liabilities of Princeton Capital Corporation (the "Company"), including the schedules of investments, as of December 31, 2018 and 2017, the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

The financial highlights for the year ended December 31, 2014 were audited by another independent registered public accounting firm whose report, dated April 15, 2015, expressed an unqualified opinion on those financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included verification by confirmation of securities as of December 31, 2018 and 2017, by correspondence with the portfolio companies and custodians, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2015.

/s/ WithumSmith+Brown, PC

Whippany, New Jersey
April 16, 2019

PRINCETON CAPITAL CORPORATION
STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
ASSETS		
Control investments at fair value (cost of \$26,515,206 and \$25,204,690, respectively)	\$ 15,717,679	\$ 17,273,360
Non-control/non-affiliate investments at fair value (cost of \$26,759,011 and \$27,652,557, respectively)	22,866,256	21,677,400
Total investments at fair value (cost of \$53,274,217 and \$52,857,247, respectively)	38,583,935	38,950,760
Cash	2,575,620	2,084,262
Due from portfolio companies	268,001	275,829
Interest receivable	503,898	270,718
Tax receivable	15,673	314,590
Prepaid expenses	23,552	52,221
Total assets	41,970,679	41,948,380
LIABILITIES		
Accrued management fees	100,578	94,282
Accounts payable (Note 2)	209,367	239,021
Due to affiliates	67,500	13,602
Insurance loan payable	-	26,806
Tax expense payable	5,000	36,141
Deferred fee income	28,129	23,002
Accrued expenses and other liabilities	5,154	107,987
Total liabilities	415,728	540,841
Net assets	\$ 41,554,951	\$ 41,407,539
NET ASSETS		
Common Stock, par value \$0.001 per share (250,000,000 shares authorized; 120,486,061 shares issued and outstanding at December 31, 2018 and December 31, 2017)	\$ 120,486	\$ 120,486
Paid-in capital	64,868,884	64,868,884
Accumulated undistributed net realized loss	(745,622)	(637,266)
Distributions in excess of net investment income	(7,998,515)	(9,038,078)
Accumulated unrealized gain (loss) on investments	(14,690,282)	(13,906,487)
Total net assets	\$ 41,554,951	\$ 41,407,539
Net asset value per share	\$ 0.345	\$ 0.344

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2018	2017	2016
INVESTMENT INCOME			
Interest income from non-control/non-affiliate investments	\$ 1,420,231	\$ 1,245,786	\$ 783,374
Interest income paid-in-kind from non-control/non-affiliate investments	136,172	133,444	318,619
Interest income from control investments	325,321	35,608	387,214
Interest income paid-in-kind from control investments	52,183	-	188,409
Dividend income from affiliate investments	-	-	740,741
Other income from non-control/non-affiliate investments	44,872	28,377	9,893
Other income from affiliate investments	-	18,882	46,304
Other income from non-investment sources (Note 2)	1,297,746	971,449	189
Total investment income	3,276,525	2,433,546	2,286,334
OPERATING EXPENSES			
Gross management fees	402,750	407,609	641,374
Administration fees	414,000	339,647	396,316
Audit fees	232,006	105,000	245,813
Legal fees (Note 2)	499,961	172,600	674,840
Valuation fees	221,010	74,200	283,020
Other professional fees	15,350	51,770	4,470
Directors' fees	155,000	145,288	184,871
Insurance expense	120,683	158,557	113,698
Interest expense	46,568	62,960	83,200
Other general and administrative expenses	111,773	88,855	115,704
Total operating expenses	2,219,101	1,606,486	2,743,306
Management fee waiver	-	(216,559)	-
	2,219,101	1,389,927	2,743,306
Net operating expenses			
Net investment income (loss) before tax	1,057,424	1,043,619	(456,972)
Income tax expense	17,861	28,065	41,123
Net investment income (loss) after taxes	1,039,563	1,015,554	(498,095)
Net realized gain (loss) on:			
Non-control/non-affiliate investments	(108,356)	-	4,450,000
Control investments	-	-	(5,911,887)
Affiliate investments	-	589,111	-
Total net realized gain (loss)	(108,356)	589,111	(1,461,887)
Net change in unrealized gain (loss) on investments:			
Non-control/non-affiliate investments	2,082,402	1,401,666	(4,676,785)
Control investments	(2,866,197)	(4,503,483)	1,322,944
Affiliate investments	-	(1,079,929)	1,072,280
US Treasury Bills and Cash	-	(699)	699
Net change in unrealized gain (loss) on investments	(783,795)	(4,182,445)	(2,280,862)
Net realized and unrealized loss on investments	(892,151)	(3,593,334)	(3,742,749)
Net increase (decrease) in net assets resulting from operations	\$ 147,412	\$ (2,577,780)	\$ (4,240,844)
Net investment income (loss) per share			
Basic	\$ 0.009	\$ 0.008	\$ (0.004)
Diluted	\$ 0.009	\$ 0.008	\$ (0.004)
Net increase (decrease) in net assets resulting from operations per share			
Basic	\$ 0.001	\$ (0.021)	\$ (0.035)
Diluted	\$ 0.001	\$ (0.021)	\$ (0.035)
Weighted average shares of common stock outstanding			
Basic	120,486,061	120,486,061	120,486,061
Diluted	120,486,061	120,486,061	120,486,061

See notes to financial statements.

PRINCETON CAPITAL CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

	For the Year Ended December 31,		
	2018	2017	2016
Increase (decrease) in net assets resulting from operations:			
Net investment income (loss)	\$ 1,039,563	\$ 1,015,554	\$ (498,095)
Net realized gain (loss) on investments	(108,356)	589,111	(1,461,887)
Net change in unrealized loss on investments	(783,795)	(4,182,445)	(2,280,862)
Net increase (decrease) in net assets resulting from operations	147,412	(2,577,780)	(4,240,844)
Capital share transactions:			
Unpaid dividend written off	-	-	600
Issued common stock	-	-	-
Net increase in net assets resulting from capital share transactions	-	-	600
Total increase (decrease) in net assets	147,412	(2,577,780)	(4,240,244)
Net assets at beginning of year	41,407,539	43,985,319	48,225,563
Net assets at end of year	\$ 41,554,951	\$ 41,407,539	\$ 43,985,319
Capital share activity:			
Common stock			
Common stock outstanding at the beginning of year	120,486,061	120,486,061	120,486,061
Common stock outstanding at the end of year	120,486,061	120,486,061	120,486,061

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net increase (decrease) in net assets resulting from operations	\$ 147,412	\$ (2,577,780)	\$ (4,240,844)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investments in:			
Portfolio investments	(2,138,225)	(3,002,421)	(710,000)
Escrow payment on securities sold	(108,356)	-	-
U.S. Treasury Bills	(118,972,831)	(45,998,007)	(192,398,344)
Proceeds from sales, repayments, or maturity of investments in:			
Portfolio investments	1,879,891	6,178,782	550,000
U.S. Treasury Bills	119,000,000	98,396,260	140,000,000
Net change in unrealized (gain) loss on investments	783,795	4,182,445	2,280,862
Net realized (gain) loss on investments	108,356	(589,111)	1,461,887
Increase in investments due to PIK	(188,353)	(133,444)	(507,029)
Amortization of fixed income premium or discounts	2,548	20,628	16,252
Write-off of accrued legal fees	-	(968,256)	-
Changes in other assets and liabilities:			
Due from portfolio companies	7,828	(102,870)	(88,541)
Due from affiliates	-	43,940	(11,592)
Interest receivable	(233,180)	(36,812)	(102,539)
Prepaid expenses	28,669	(42,619)	38,709
Note receivable	-	500,000	(500,000)
Deferred tax asset	-	4,926	(319,516)
Tax receivable	298,917	-	-
Accrued management fees	6,296	(441,501)	360,029
Accounts payable	(29,654)	(881,065)	692,745
Due to affiliates	53,898	(72,614)	74,267
Tax expense payable	(31,141)	(6,104)	42,245
Deferred fee income	5,127	(1,105)	24,107
Accrued expenses and other liabilities	(102,833)	(186,512)	85,488
Net cash provided by (used in) operating activities	518,164	54,286,760	(53,251,814)
Cash flows from financing activities:			
Insurance loan payable	(26,806)	26,806	-
Short term payable for securities purchased	-	(52,398,253)	52,398,253
Term loan – related party	-	(365,000)	365,000
Net cash provided by (used in) financing activities	(26,806)	(52,736,447)	52,763,253
Net increase (decrease) in cash and restricted cash	491,358	1,550,313	(488,561)
Cash and restricted cash at beginning of year	2,084,262	533,949	1,022,510
Cash and restricted cash at end of year	\$ 2,575,620	\$ 2,084,262	\$ 533,949
Supplemental disclosure of non-cash financing activities:			
Dividends payable to stockholders	\$ -	\$ -	\$ (600)
Unpaid dividend written off	\$ -	\$ -	\$ 600
Supplemental disclosure of cash flow financing activities:			
Interest expense paid	\$ 46,568	\$ 75,044	\$ 89,948
Income tax paid	\$ 49,002	\$ 34,169	\$ 302,265

See notes to financial statements.

PRINCETON CAPITAL CORPORATION
SCHEDULE OF INVESTMENTS as of December 31, 2018

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Portfolio Investments ⁽⁶⁾					
Control investments					
Advantis Certified Staffing Solutions, Inc.	Houston, TX				
Second Lien Loan, 6.0% Cash, due 11/30/2021 ^{(2) (5) (7)}	Staffing	\$ 4,500,000	\$ 4,500,000	\$ 2,457,887	5.91%
Unsecured loan, 5%, due 12/31/2018 ⁽⁷⁾		\$ 813,225	813,225	652,277	1.57%
Unsecured loan, 5%, due 12/31/2018 ⁽⁷⁾		\$ 90,000	90,000	72,188	0.17%
Unsecured loan 8%, due 12/31/2018 ⁽⁷⁾		\$ 150,000	150,000	124,115	0.30%
Unsecured loan 8%, due 12/31/2018 ⁽⁷⁾		\$ 110,000	110,000	91,017	0.22%
Unsecured loan 10.75%, due 12/31/2018 ⁽⁷⁾		\$ 175,000	175,000	148,866	0.36%
Common Stock – Series A ^{(5) (7)}		225,000	10,150	-	-%
Common Stock – Series B ^{(5) (7)}		9,500,000	428,571	-	-%
Warrant for 250,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ^{(5) (7)}		1	11,278	-	-%
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ^{(5) (7)}		1	-	-	-%
Total			<u>6,288,224</u>	<u>3,546,350</u>	<u>8.53%</u>
Dominion Medical Management, Inc.	Milwaukee, WI				
Second Lien Term Loan, 12.0% Cash, 6% PIK due, 3/1/2019 ^{(3) (7)}	Medical Business Services	\$ 1,137,438	1,137,438	1,029,756	2.48%
Integrated Medical Partners, LLC					
Preferred Membership, Class A units ^{(5) (7)}		800	4,196,937	997,272	2.40%
Preferred Membership, Class B units ^{(5) (7)}		760	29,586	42,611	0.10%
Common Units ^{(5) (7)}		14,082	-	6,723	0.02%
Total			<u>5,363,961</u>	<u>2,076,362</u>	<u>5.00%</u>
PCC SBH Sub, Inc.	Karnes City, TX				
Unsecured loan, 12% Cash, due 2/15/2018 ⁽⁷⁾	Energy Services	\$ 14,000	14,000	14,000	0.03%
Common stock ^{(5) (7)}		100	2,525,481	1,925,722	4.64%
Total			<u>2,539,481</u>	<u>1,939,722</u>	<u>4.67%</u>
Rockfish Seafood Grill, Inc.	Richardson, TX				
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 ^{(2), (3), (5) (7)}	Casual Dining	\$ 6,352,944	6,352,944	6,689,793	16.09%
Revolving Loan, 8% Cash, due 12/31/2018 ⁽⁷⁾		\$ 1,821,000	1,821,000	1,465,452	3.53%
Rockfish Holdings, LLC					
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 ^{(5) (7)}		10.000%	414,960	-	-%
Membership Interest – Class A ^{(5) (7)}		99.997%	3,734,636	-	-%
Total			<u>12,323,540</u>	<u>8,155,245</u>	<u>19.62%</u>
Total control investments			<u>26,515,206</u>	<u>15,717,679</u>	<u>37.82%</u>
Non-control/non-affiliate investments					
Great Value Storage, LLC	Austin, TX				
First Lien Loan, 12.0% cash, 2.0% PIK, due 12/31/2018 ^{(3) (7)}	Storage Company Property Management	\$ 6,800,586	6,800,586	5,866,918	14.12%
Lone Star Brewery Development, Inc.	Houston, TX				
Second Lien Loan, 12.0% in cash, 2.0% PIK, due 2/13/2020 ^{(2), (3), (5) (7)}	Real Estate Development	\$ 8,076,135	8,076,135	7,950,000	19.14%

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2018 (Continued)

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value ⁽¹⁾	% of Net Assets
Non-control/non-affiliate investments (continued)					
Performance Alloys, LLC	Houston, TX				
Second Lien Loan, 9.0% cash, due 5/31/2020 ⁽⁷⁾	Nickel Pipe,	\$ 6,750,000	\$ 6,750,000	\$ 6,666,172	16.04%
Membership Interest – Class B ⁽⁵⁾ ⁽⁷⁾	Fittings & Flanges	25.97%	5,131,090	2,381,966	5.73%
Total			11,881,090	9,048,138	21.77%
Rampart Detection Systems, Ltd.	British Columbia, Canada				
Common Stock Shares ⁽⁴⁾ , ⁽⁵⁾	Security	600,000	1,200	1,200	-%
Total non-control/non-affiliate investments			26,759,011	22,866,256	55.03%
Total Portfolio Investments			53,274,217	38,583,935	92.85%
Total Investments			\$ 53,274,217	\$ 38,583,935	92.85%

(1) See Note 5 of the Notes to Financial Statements for a discussion of the methodologies used to value securities in the portfolio.

(2) Investment is on non-accrual status.

(3) Represents a security with a payment-in-kind component (“PIK”). At the option of the issuer, interest can be paid in cash or cash and PIK. The percentage of PIK shown is the maximum PIK that can be elected by the portfolio company.

(4) The investment in Rampart Detection Systems, Ltd does not represent a “qualifying asset” under Section 55(a) of the 1940 Act as the principal place of business is in British Columbia, Canada. As of December 31, 2018, less than 1% of the total fair value of investments represents non-qualifying assets.

(5) Investment is non-income producing as of December 31, 2018.

(6) Represents an illiquid investment. At December 31, 2018, 100% of the total fair value of portfolio investments are illiquid.

(7) Represents an investment valued using significant unobservable inputs.

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2018 (Continued)

The following tables show the fair value of our portfolio of investments (excluding U.S. Treasury Bills) by geography and industry as of December 31, 2018.

Geography	December 31, 2018	
	Investments at Fair Value	Percentage of Net Assets
United States	\$ 38,582,735	92.85%
Canada	1,200	0.00
Total	\$ 38,583,935	92.85%

Industry	December 31, 2018	
	Investments at Fair Value	Percentage of Net Assets
Nickel Pipe, Fittings and Flanges	\$ 9,048,138	21.77%
Casual Dining	8,155,245	19.62
Real Estate Development	7,950,000	19.14
Storage Company Property Management	5,866,918	14.12
Staffing	3,546,350	8.53
Medical Business Services	2,076,362	5.00
Energy Services	1,939,722	4.67
Security	1,200	-
Total	\$ 38,583,935	92.85%

See notes to financial statements.

PRINCETON CAPITAL CORPORATION
SCHEDULE OF INVESTMENTS as of December 31, 2017

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value⁽¹⁾	% of Net Assets
Portfolio Investments ⁽⁶⁾					
Control investments					
Advantis Certified Staffing Solutions, Inc.	Houston, TX				
Second Lien Loan, 6.0% Cash, due 11/30/2021 ^{(2) (5) (8)}	Staffing	\$ 4,500,000	4,500,000	\$ 3,826,477	9.24%
Unsecured loan, 5%, due 10/31/2017 ⁽⁸⁾		\$ 89,225	89,225	76,839	0.19%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 69,000	69,000	59,422	0.14%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 125,000	125,000	107,648	0.26%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 30,000	30,000	25,836	0.06%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 105,000	105,000	90,425	0.22%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 200,000	200,000	172,237	0.42%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 150,000	150,000	129,178	0.31%
Unsecured loan, 5%, due 12/31/2017 ⁽⁸⁾		\$ 45,000	45,000	38,753	0.09%
Common Stock – Series A ^{(5) (8)}		\$ 225,000	10,150	3,713	0.01%
Common Stock – Series B ^{(5) (8)}		\$ 9,500,000	428,571	156,757	0.38%
Warrant for 250,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ^{(5) (8)}		1	11,278	4,125	0.01%
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ^{(5) (8)}		1	-	11,551	0.03%
Total			5,763,224	4,702,961	11.36%
Rockfish Seafood Grill, Inc.	Richardson, TX				
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 ^{(2), (3), (5) (8)}	Casual Dining	\$ 6,352,944	\$ 6,352,944	6,637,883	16.03%
Revolving Loan, 8% Cash, due 6/29/2017 ^{(2), (5), (7) (8)}		\$ 1,621,000	1,621,000	1,663,335	4.02%
Rockfish Holdings, LLC					
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2018 ^{(5) (8)}		10.000%	414,960	257,647	0.62%
Membership Interest – Class A ^{(5) (8)}		89.400%	3,734,636	28,628	0.07%
Total			12,123,540	8,587,493	20.74%
PCC SBH Sub, Inc.	Karnes City, TX				
Unsecured loan, 12% Cash, due 2/15/2018 ⁽⁸⁾	Energy Services	\$ 14,000	14,000	14,000	0.03%
Common stock ^{(5) (8)}		100	2,525,481	1,570,755	3.79%
Total			2,539,481	1,584,755	3.82%
Dominion Medical Management, Inc.	Milwaukee, WI				
Unsecured Loan, 6.0% Cash, due 9/30/2019 ⁽⁸⁾	Medical Business	\$ 451,922	451,922	437,085	1.06%
Unsecured Loan, 6.0% Cash, due 5/20/2018 ⁽⁸⁾	Services	100,000	100,000	81,389	0.19%
Integrated Medical Partners, LLC					
Preferred Membership, Class A units ^{(5) (8)}		800	4,196,937	1,844,856	4.46%
Preferred Membership, Class B units ^{(5) (8)}		760	29,586	34,514	0.08%
Common Units ^{(5) (8)}		14,082	-	307	0.00%
Total			4,778,445	2,398,151	5.79%
Total control investments			25,204,690	17,273,360	41.71%
Non-control/non-affiliate investments					
Performance Alloys, LLC	Houston, TX				
Second Lien Loan, 6.0% cash, due 5/31/2020 ⁽⁸⁾	Nickel Pipe, Fittings & Flanges	\$ 6,750,000	6,750,000	6,339,459	15.31%
Membership Interest – Class B ^{(5) (8)}		25.97%	5,131,090	172,741	0.42%
Total			11,881,090	6,512,200	15.73%

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2017 (Continued)

Investments	Headquarters / Industry	Principal Amount/Shares/% Ownership	Amortized Cost	Fair Value⁽¹⁾	% of Net Assets
<u>Non-control/non-affiliate investments (continued)</u>					
Lone Star Brewery Development, Inc.	Houston, TX				
Second Lien Loan, 12.0% in cash, 2.0% PIK, due 4/10/2018 ^{(2), (3), (5) (8)}	Real Estate Development	\$ 8,076,135	\$ 8,076,135	\$ 7,500,000	18.11%
Great Value Storage, LLC	Austin, TX				
First Lien Loan, 12.0% cash, 2.0% PIK, due 12/31/2018 ^{(3) (8)}	Storage Company Property Management	\$ 6,664,416	6,694,132	6,664,000	16.09%
ECM Energy Services, Inc.	Waynesburg, PA				
Revolving Loan, US Prime Rate + 1%, (5.25% floor) and 7.2% collateral management fee, overall floor of 12.0%, due 2/11/2019 ^{(8) (9)}	Energy Services	\$ 1,000,000	1,000,000	1,000,000	2.42%
Rampart Detection Systems, Ltd.	British Columbia, Canada				
Common Stock Shares ^{(4), (5)}	Security	600,000	1,200	1,200	0.00%
Total non-control/non-affiliate investments			<u>27,652,557</u>	<u>21,677,400</u>	<u>52.35%</u>
Total Portfolio Investments			<u>52,857,247</u>	<u>38,950,760</u>	<u>94.06%</u>
Total Investments			<u>\$ 52,857,247</u>	<u>\$ 38,950,760</u>	<u>94.06%</u>

(1) See Note 5 of the Notes to Financial Statements for a discussion of the methodologies used to value securities in the portfolio.

(2) Investment is on non-accrual status.

(3) Represents a security with a payment-in-kind component ("PIK"). At the option of the issuer, interest can be paid in cash or cash and PIK. The percentage of PIK shown is the maximum PIK that can be elected by the portfolio company.

(4) The investment in Rampart Detection Systems, Ltd does not represent a "qualifying asset" under Section 55(a) of the 1940 Act as the principal place of business is in British Columbia, Canada. As of December 31, 2017, less than 1% of the total fair value of investments represents non-qualifying assets.

(5) Investment is non-income producing as of December 31, 2017.

(6) Represents an illiquid investment. At December 31, 2017, 100% of the total fair value of portfolio investments are illiquid.

(7) On June 29, 2015, the Company entered into a revolving loan commitment with Rockfish Seafood Grill, Inc. This revolving loan commitment was increased in January 2017 by \$140,000. As of December 31, 2017, the commitment was fully funded.

(8) Represents an investment valued using significant unobservable inputs.

(9) Represents a participation in a revolving loan from Capital Foundry Funding, LLC to ECM Energy Services, Inc. This participation revolving loan commitment is \$1,000,000 and as of December 31, 2017, the commitment was fully funded.

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2017 (Continued)

The following tables show the fair value of our portfolio of investments (excluding U.S. Treasury Bills) by geography and industry as of December 31, 2017.

	December 31, 2017	
	Investments at Fair Value	Percentage of Net Assets
Geography		
United States	\$ 38,949,560	94.06%
Canada	1,200	0.00
Total	\$ 38,950,760	94.06%
	December 31, 2017	
	Investments at Fair Value	Percentage of Net Assets
Industry		
Casual Dining	\$ 8,587,493	20.74%
Real Estate Development	7,500,000	18.11
Storage Company Property Management	6,664,000	16.09
Nickel Pipe, Fittings & Flanges	6,512,200	15.73
Staffing	4,702,961	11.36
Energy Services	2,584,755	6.24
Medical Business Services	2,398,151	5.79
Security	1,200	0.00
Total	\$ 38,950,760	94.06%

See notes to financial statements.

PRINCETON CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – NATURE OF OPERATIONS

References herein to “we”, “us” or “our” refer to Princeton Capital Corporation (the “Company” or “Princeton Capital”), unless the context specifically requires otherwise.

Princeton Capital Corporation, a Maryland corporation, was incorporated under the general laws of the State of Maryland on July 25, 2013, with its principal office located in Princeton, New Jersey. We are a non-diversified, closed-end investment company that has filed an election to be regulated as a business development company (“BDC”), under the Investment Company Act of 1940, as amended (the “1940 Act”). As a BDC, our goal is to annually qualify and elect to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Company, however, did not meet the requirements to qualify as a RIC for the 2016, 2017, and 2018 tax years and expects to be taxed as a corporation under Subchapter C of the Code for those years. We invest primarily in private small and lower middle-market companies through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, often times with a corresponding equity investment. Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and related equity investments.

Prior to March 13, 2015, Princeton Capital’s predecessor operated under the name Regal One Corporation (“Regal One”). Regal One had been located in Scottsdale, Arizona, and was a Florida corporation initially incorporated in 1959 as Electro-Mechanical Services Inc. Since inception, Regal One had been involved in several industries. In 1998, Electro-Mechanical Services Inc. changed its name to Regal One Corporation.

On March 7, 2005, Regal One’s board of directors determined it was in the shareholders’ best interest to change the focus of its operations to providing financial consulting services through its network of advisors and professionals, and to be regulated as a BDC under the 1940 Act. On September 16, 2005, Regal One filed a Form N54A (Notification of Election by Business Development Companies) with the Securities and Exchange Commission (“SEC”), which transformed Regal One into a BDC in accordance with sections 55 through 65 of the 1940 Act. Regal One reported as an operating BDC from March 31, 2006 until March 13, 2015 and since March 13, 2015 (following the Reincorporation described below) Princeton Capital has reported as an operating BDC.

On July 9, 2014, Regal One acquired Princeton Capital as a wholly owned subsidiary. On July 14, 2014, Regal One, Princeton Capital, Capital Point Partners, LP, a Delaware limited partnership (“CPP”), and Capital Point Partners II, LP, a Delaware limited partnership (“CPPII” and, together with CPP, the “Partnerships”), entered into an Asset Purchase Agreement (the “Purchase Agreement”). Pursuant to the Purchase Agreement, Regal One would acquire cash, equity and debt investments of the Partnerships in exchange for shares of common stock of Regal One. In addition to the customary conditions to closing the transactions contemplated by the Purchase Agreement, Regal One was required to (i) to effect a reverse stock split of Regal One’s outstanding common stock at a ratio of 1-for-2 (the “Reverse Stock Split”), (ii) reincorporate from Florida to Maryland by merging into Princeton Capital (the “Reincorporation”) and (iii) become an externally managed BDC by entering into an external investment advisory agreement with Princeton Investment Advisors, LLC, (“Princeton Investment Advisors”) a Delaware limited liability company.

On March 13, 2015, following the Reverse Stock Split and the Reincorporation, we completed our previously announced acquisition in the approximate amounts of \$11.2 million in cash, \$43.5 million in equity & debt investments, and \$1.9 million in restricted cash escrow deposits of the Partnerships with an aggregate value of approximately \$56.6 million and issued approximately 115.5 million shares of our common stock to the Partnerships. The shares issued were based on a pre-valuation presumed fair value of \$60.9 million. We also entered into an investment advisory agreement with Princeton Investment Advisors, which subsequently was terminated by the Company’s Board of Directors on January 18, 2016, effective as of June 9, 2016.

On January 18, 2016, the Board of Directors of the Company conditionally approved the investment advisory agreement with Princeton Advisory Group, Inc., a New Jersey corporation (“Princeton Advisory Group”) (the “PAG Investment Advisory Agreement”), subject to the approval of the Company’s stockholders at the 2016 Annual Meeting of Stockholders. At the 2016 Annual Meeting of Stockholders held on June 9, 2016, the Company’s stockholders approved the PAG Investment Advisory Agreement, effective June 9, 2016. From June 9, 2016 through December 31, 2017, Princeton Advisory Group acted as the Company’s investment advisor pursuant to the terms of the PAG Investment Advisory Agreement.

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On December 27, 2017, the Board determined that it would be in the best interests of the Company and its stockholders to terminate the PAG Investment Advisory Agreement and sent a formal Notice of Termination to Princeton Advisory Group notifying Princeton Advisory Group of its termination as the Company's investment advisor, effective as of December 31, 2017 at 11:59 p.m. Eastern Time. Also on December 27, 2017, the Board approved (specifically in accordance with Rule 15a-4(b)(1)(ii) of the Investment Company Act) and authorized the Company to enter into an Interim Investment Advisory Agreement between the Company and House Hanover, LLC, a Delaware limited liability company ("House Hanover") (the "Interim Investment Advisory Agreement"), in accordance with Rule 15a-4 of the Investment Company Act. The effective date of the Interim Investment Advisory Agreement was January 1, 2018.

On April 5, 2018, the Board, including a majority of the independent directors, conditionally approved the Investment Advisory Agreement between the Company and House Hanover (the "House Hanover Investment Advisory Agreement") subject to the approval of the Company's stockholders at the 2018 Annual Meeting of Stockholders. The House Hanover Investment Advisory Agreement replaced the Interim Investment Advisory Agreement. On May 30, 2018, the Company's stockholders approved the House Hanover Investment Advisory Agreement. The effective date of the House Hanover Investment Advisory Agreement was May 31, 2018.

Since January 1, 2018, House Hanover has acted as our investment advisor under the Interim Investment Advisory Agreement (from January 1, 2018 until May 31, 2018) and the House Hanover Investment Advisory Agreement (since May 31, 2018).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, ("U.S. GAAP"). In accordance with Regulation S-X under the Securities Act of 1933 and Securities Exchange Act of 1934, the Company does not consolidate portfolio company investments. The accounting records of the Company are maintained in U.S. dollars. As an investment company, as defined by the 1940 Act, the Company follows investment company accounting and reporting guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 – Financial Services - Investment Companies, which is U.S. GAAP.

Reclassifications

Certain prior period amounts in the accompanying financial statements have been reclassified to conform to the current period presentation. These reclassifications did not affect previously reported amounts of net income.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Changes in the economic environment, financial markets, creditworthiness of our portfolio companies and any other parameters used in determining these estimates could cause actual results to differ. It is likely that changes in these estimates will occur in the near term. The Company's estimates are inherently subjective in nature and actual results could differ materially from such estimates.

Portfolio Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which the Company owns between 5% and 25% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments nor Affiliated Investments. As of December 31, 2018, the Company had control investments in Advantis Certified Staffing Solutions, Inc., PCC SBH Sub, Inc., Rockfish Seafood Grill, Inc., Rockfish Holdings, LLC and Integrated Medical Partners, LLC as defined under the 1940 Act. As of December 31, 2017, the Company had control investments in Advantis Certified Staffing Solutions, Inc., PCC SBH Sub, Inc., Rockfish Seafood Grill, Inc., Rockfish Holdings, LLC and Integrated Medical Partners, LLC as defined under the 1940 Act.

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Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forgo the risks for gains and losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments in other non-security financial instruments, such as limited partnerships or private companies, are recorded on the basis of subscription date or redemption date, as applicable. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold or payable for investments acquired, respectively, in the Statements of Assets and Liabilities.

Valuation of Investments

In accordance with U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, our board of directors uses various valuation approaches. In accordance with U.S. GAAP, ASC 820 establishes a fair value hierarchy for inputs and is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the board of directors. Unobservable inputs reflect our board of director’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by an independent valuation firm, except for those investments where market quotations are readily available;
- Preliminary valuation conclusions are then documented and discussed with our senior management and our investment advisor (our investment advisor, as disclosed in various public filings, in Note 1, and elsewhere in this Form 10-K, changed on January 1, 2018 from Princeton Advisory Group to House Hanover);
- The valuation committee of our board of directors then reviews these preliminary valuations and approves them for recommendation to the board of directors;
- The board of directors then discusses valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our investment advisor (our investment advisor, as disclosed in various public filings, in Note 1, and elsewhere in this Form 10-K, changed on January 1, 2018 from Princeton Advisory Group to House Hanover), the independent valuation firm and the valuation committee.

U.S. GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the board of directors in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation Processes

The Company establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable. The Company's board of directors designates a Valuation Committee (the "Committee") to oversee the entire valuation process of the Company's Level 3 investments. The Committee is comprised of independent directors and reports to the Company's board of directors. The Committee is responsible for developing the Company's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

The Committee meets on a quarterly basis, or more frequently as needed, to determine the valuations of the Company's Level 3 investments. Valuations determined by the Committee are required to be supported by market data, third-party pricing sources, industry accepted pricing models, counterparty prices, or other methods that the Committee deems to be appropriate.

The Company will periodically test its valuations of Level 3 investments through performing back testing of the sales of such investments by comparing the amounts realized against the most recent fair values reported, and if necessary, uses the findings to recalibrate its valuation procedures. On a quarterly basis, the Company engages the services of a nationally recognized third-party valuation firm to perform an independent valuation of the Company's Level 3 investments.

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Investment Valuation

We expect that most of our portfolio investments will take the form of securities that are not publicly traded. The fair value of loans, securities and other investments that are not publicly traded may not be readily determinable, and we will value these investments at fair value as determined in good faith by our board of directors, including reflecting significant events affecting the value of our investments. Most, if not all, of our investments (other than cash and cash equivalents) will be classified as Level 3 under Financial Accounting Standards Board Accounting Standards Codification “Fair Value Measurements and Disclosures”, or ASC 820. This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We expect to retain the services of one or more independent service providers to review the valuation of these loans and securities. The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these loans and securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such loans and securities.

We will adjust the valuation of our portfolio quarterly to reflect our board of directors’ determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized gain or loss.

Debt Securities

The Company’s portfolio consists primarily of first lien loans, second lien loans, and unsecured loans. Investments for which market quotations are readily available (“Level 2 Loans”) are generally valued using market quotations, which are generally obtained from an independent pricing service or broker-dealers. For other debt investments (“Level 3 Loans”), market quotations are not available and other techniques are used to determine fair value. The Company considers its Level 3 Loans to be performing if the borrower is not in default, the borrower is remitting payments in a timely manner, the loan is in covenant compliance or is otherwise not deemed to be impaired. In determining the fair value of the performing Level 3 Loans, the Board considers fluctuations in current interest rates, the trends in yields of debt instruments with similar credit ratings, financial condition of the borrower, economic conditions, success and prepayment fees, and other relevant factors, both qualitative and quantitative. In the event that a Level 3 Loan instrument is not performing, as defined above, the Board may evaluate the value of the collateral utilizing the same framework described above for a performing loan to determine the value of the Level 3 Loan instrument.

Equity Investments

Our equity investments, including common stock, membership interests, and warrants, are generally valued using a market approach and income approach. The income approach utilizes primarily the discount rate to value the investment whereas the primary inputs for the market approach are the earnings before interest, taxes, depreciation and amortization (“EBITDA”) multiple and revenue multiples. The Black-Scholes Option Pricing Model, a valuation technique that follows the income approach, is used to allocate the value of the equity to the investment. The pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including time value, implied volatility, equity prices, risk free rates, and interest rates.

Valuation of Other Financial Instruments

The carrying amounts of the Company’s other, non-investment, financial instruments, consisting of cash, receivables, accounts payable, and accrued expenses, approximate fair value due to their short-term nature.

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Cash and Restricted Cash

The Company deposits its cash and restricted cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insured limit; however, management does not believe it is exposed to any significant credit risk.

As of December 31, 2018 and December 31, 2017, there was no restricted cash.

U.S. Treasury Bills

At the end of each fiscal quarter, we may take proactive steps to be in compliance with the RIC diversification requirements under Subchapter M of the Code, which are dependent upon the composition of our total assets at quarter end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out positions after quarter-end.

Revenue Recognition

Realized gains or losses on the sale of investments are calculated using the specific identification method. The Company measures realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with senior and subordinated secured loans are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a senior or subordinated secured loan, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. Generally, when a payment default occurs on a loan in the portfolio, or if the Company otherwise believes that borrower will not be able to make contractual interest payments, the Company may place the loan on non-accrual status and cease recognizing interest income on the loan until all principal and interest is current through payment, or until a restructuring occurs, and the interest income is deemed to be collectible. The Company may make exceptions to this policy if a loan has sufficient collateral value, is in the process of collection or is viewed to be able to pay all amounts due if the loan were to be collected on through an investment in or sale of the business, the sale of the assets of the business, or some portion or combination thereof.

Dividend income is recorded on the ex-dividend date.

Structuring fees, excess deal deposits, prepayment fees and similar fees are recognized as income as earned, usually when paid.

Other fee income from investment sources, includes annual fees and monitoring fees from our portfolio investments and are included in other income from non-control/non-affiliate investments and other income from affiliate investments. Income from such sources for the years ended December 31, 2018, 2017 and 2016 was \$44,872, \$47,259 and \$56,197 respectively.

Other income from non-investment sources is generally comprised of interest income earned on cash in the Company's bank account. However, for the year ended December 31, 2018, the Company entered into a confidential settlement agreement effective November 27, 2018 with a former vendor/provider of services in which the Company received \$1,294,754 on December 4, 2018, which is included in Other income from non-investment sources. For the year ended December 31, 2017, \$1,060,039 was booked as other income resulting from the reversal of previously accrued legal invoices related to the Settlement Agreement with the law firms described in "Note 2 – Significant Accounting Policies – Legal Fees" and is included in Other income from non-investment sources.

Payment-in-Kind Interest ("PIK")

We have investments in our portfolio that contain a PIK interest provision. Any PIK interest is added to the principal balance of such investments and is recorded as income, if the portfolio company valuation indicates that such PIK interest is collectible. For the years ended December 31, 2018, 2017 and 2016 PIK interest was \$188,353, \$33,717 and \$473,818, respectively. In order to qualify as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even if we have not collected any cash. For the years ended December 31, 2016, 2017 and 2018 and through the date of issuance of this report, no dividends have been paid out to stockholders.

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Net Change in Unrealized Gain or Loss

Net change in unrealized gain or loss will reflect the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Legal Fees

The Company incurred legal fees related to the lawsuit captioned *Capital Link Fund I, LLC, et al. v. Capital Point Management, LP, et al.* as disclosed in Note 9. Up until the agreements to settle in December 2017, it was undeterminable as to the ultimate responsibility for amounts invoiced to the Company by two law firms that provided services, as these invoices were for all of such law firm's fees even though they represented multiple parties and the Company believed that some of these services rendered were provided solely or primarily for the benefit of other represented parties. For the years ended December 31, 2018 and 2017, the Company was not invoiced any legal fees by these two law firms related to this lawsuit. As of December 31, 2017, the Company reached an agreement with the two law firms and paid them \$330,000 to settle all outstanding invoices. In addition, as of December 31, 2017, the Company reduced accounts payable by \$1,060,039 as a result of the settlements. Other legal fees incurred in the normal operating course of business and legal fees incurred for claims against a former vendor/provider of services invoiced to the Company for the years ended December 31, 2017 and December 31, 2018, are included in professional fees on the Statements of Operations.

Federal and State Income Taxes

The Company was taxed as a regular corporation (a "C corporation") under subchapter C of the Internal Revenue Code of 1986, as amended, for its 2018, 2017 and 2016 taxable years. The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recorded for tax loss carryforwards and temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company did not meet the qualifications of a RIC for the 2018, 2017 and 2016 tax years and will be taxed as a corporation under Subchapter C of the Code. The failure to qualify as a RIC, however, should not impact the 2018 tax year as the Company has net operating losses and capital losses from 2017 that it can carry forward to offset taxable income. The failure to qualify as a RIC also did not impact the 2017 tax year as the Company incurred tax losses. As a result of the losses incurred for the year ended December 31, 2017, the Company intends to carry forward the net operating losses to future periods in which the Company generates taxable income to reduce its tax liability.

The Company does not expect to meet the qualifications of a RIC for the 2019 tax year and is likely to be taxed as a corporation under Subchapter C of the Code. However, in the event that the Company does meet the qualifications of a RIC for the 2019 tax year, it may not be in the best interests of the Company's stockholders to elect to be taxed as a RIC for the 2019 tax year due to the net operating losses and capital loss carryforwards the Company currently has. Management will make a determination that is in the best interests of the Company and its stockholders.

In order to qualify as a RIC, among other things, the Company is required to distribute to its stockholders on a timely basis at least 90% of investment company taxable income, as defined by the Code, for each year. So long as the Company achieves its status as a RIC, it generally will not pay corporate-level U.S. federal and state income taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as dividends. Rather, any tax liability related to income earned by the Company will represent obligations of the Company's investors and will not be reflected in the financial statements of the Company.

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The Company evaluates tax positions taken or expected to be taken while preparing its financial statements to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. The Company recognizes the tax benefits of uncertain tax positions only where the position has met the “more-likely-than-not” threshold. The Company classifies penalties and interest associated with income taxes, if any, as income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analyses of tax laws, regulations and interpretations thereof.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a dividend is approved by our board of directors each quarter and is generally based upon our management’s estimate of our earnings for the quarter. For the years ended December 31, 2018, 2017 and 2016 and through the date of issuance of this report, no dividends have been declared or distributed to stockholders.

Per Share Information

Basic and diluted earnings (loss) per common share is calculated using the weighted average number of common shares outstanding for the period presented.

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss per share by the weighted average number of shares outstanding, plus, any potentially dilutive shares outstanding during the period. For the years ended December 31, 2018 and 2017, basic and diluted earnings (loss) per share were the same, since there were no potentially dilutive securities outstanding.

Capital Accounts

Certain capital accounts including undistributed net investment income, accumulated net realized gain or loss, accumulated net unrealized gain or loss, and paid-in capital in excess of par, are adjusted, at least annually, for permanent differences between book and tax. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from U.S. GAAP.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those years. The Company early adopted ASU 2016-18 as shown on the Statement of Cash Flows.

In January 2016, the FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” to generally require equity investments be measured at fair value with changes in fair value recognized in net income, simplify the impairment assessment of equity investments without readily-determinable fair value, and change disclosure and presentation requirements regarding financial instruments and other comprehensive income, and clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10). The amendments in ASU 2018-03 make technical corrections to certain aspects of ASU 2016-01 on recognition of financial assets and financial liabilities. For public entities, the guidance in ASU 2016-01 and amendments in ASU 2018-03 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Adoption of ASU 2016-01 and ASU 2018-03 did not have a material impact on the Company’s financial statements.

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In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740); Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118". This ASU provides accounting and disclosure guidance relating to the Tax Cuts and Jobs Act pursuant to the issuance of SEC Staff Accounting Bulletin No. 118. The guidance allows a company to report provisional amounts when reasonable estimates are determinable for certain income tax effects relating to the Act. These provisional amounts may give rise to new current or deferred taxes based on certain provisions within the Act, as well as adjustments to existing current or deferred taxes that existed prior to the Act's enactment date. Adoption of ASU 2018-05 did not have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-13 ("ASU 2018-13"), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU 2018-13 on this update eliminate, add and modify certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendments are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted upon issuance of this update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. Management is evaluating the new guidance, but does not expect the adoption of this guidance to have a material impact on the Company's financial statements.

The SEC recently completed a project to streamline disclosure requirements in regulations S-X and S-K, as part of release 33-10532. The SEC adopted amendments to certain of its disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements and U.S. GAAP. Management is evaluating the new guidance, but does not expect the adoption of this guidance to have a material impact on the Company's financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

NOTE 4 – NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following information sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per common share for the years ended December 31, 2018, 2017, and 2016.

	For the Year Ended December 31,		
	2018	2017	2016
Per Share Data ⁽¹⁾:			
Net increase (decrease) in net assets resulting from operations	\$ 147,412	\$ (2,577,780)	\$ (4,240,844)
Weighted average shares outstanding for year			
Basic	120,486,061	120,486,061	120,486,061
Diluted	120,486,061	120,486,061	120,486,061
Basic and diluted net increase (decrease) in net assets resulting from operations per common share			
Basic	\$ 0.001	\$ (0.021)	\$ (0.035)
Diluted	\$ 0.001	\$ (0.021)	\$ (0.035)

(1) Per share data based on weighted average shares outstanding.

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NOTE 5 – FAIR VALUE OF INVESTMENTS

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820 – Fair Value Measurements and Disclosures ("ASC 820"). See Note 2 for a discussion of the Company's policies.

The following table presents information about the Company's assets measured at fair value as of December 31, 2018 and 2017, respectively:

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Portfolio Investments				
First Lien Loans	\$ -	\$ -	\$ 14,022,163	\$ 14,022,163
Second Lien Loans	-	-	18,103,815	18,103,815
Unsecured Loans	-	-	1,102,463	1,102,463
Equity	-	-	5,355,494	5,355,494
Total Portfolio Investments	-	-	38,583,935	38,583,935
Total Investments	\$ -	\$ -	\$ 38,583,935	\$ 38,583,935

	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Portfolio Investments				
First Lien Loans	\$ -	\$ -	\$ 14,965,218	\$ 14,965,218
Second Lien Loans	-	-	18,665,936	18,665,936
Unsecured Loans	-	-	1,232,812	1,232,812
Equity	-	-	4,086,794	4,086,794
Total Portfolio Investments	-	-	38,950,760	38,950,760
Total Investments	\$ -	\$ -	\$ 38,950,760	\$ 38,950,760

During the years ended December 31, 2018 and 2017, there were no transfers between Level, 1, Level 2 or Level 3.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 assets measured at fair value for the year ended December 31, 2018 are as follows:

	First Lien Loans	Second Lien Loans	Unsecured Loans	Equity	Total
Fair value at beginning of year	\$ 14,965,218	\$ 18,665,936	\$ 1,232,812	\$ 4,086,794	\$ 38,950,760
Amortization	(29,717)	-	-	-	(29,717)
Purchases of investments	200,000	600,000	1,338,225	-	2,138,225
Sales of investments	-	(1,000,000)	(879,891)	-	(1,879,891)
Payment-in-kind interest	136,172	52,181	-	-	188,353
Realized gain (loss)	-	-	-	-	-
Change in unrealized gain (loss) on investments	(1,249,510)	(699,558)	(103,427)	1,268,700	(783,795)
Transfer due to restructuring	-	485,256	(485,256)	-	-
Fair value at end of year	\$ 14,022,163	\$ 18,103,815	\$ 1,102,463	\$ 5,355,494	\$ 38,583,935
Change in unrealized gain (loss) on Level 3 investments still held as of December 31, 2018	\$ (1,249,510)	\$ (699,559)	\$ (249,762)	\$ 1,268,700	\$ (930,131)

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Changes in Level 3 assets measured at fair value for the year ended December 31, 2017 are as follows:

	First Lien Loans	Second Lien Loans	Unsecured Loans	Equity	Total
Fair value at beginning of year	\$ 16,301,261	\$ 17,250,000	\$ 276,922	\$ 11,778,757	\$ 45,606,940
Amortization	(20,628)	-	-	-	(20,628)
Purchases of investments	167,273	1,000,000	1,385,147	450,001	3,002,421
Sales of investments	-	-	(282,922)	(5,895,860)	(6,178,782)
Payment-in-kind interest	133,444	-	-	-	133,444
Realized gain (loss)	-	-	-	589,111	589,111
Change in unrealized gain (loss) on investments	909,349	415,936	(146,335)	(5,360,696)	(4,181,746)
Transfer due to restructuring	(2,525,481)	-	-	2,525,481	-
Fair value at end of year	<u>\$ 14,965,218</u>	<u>\$ 18,665,936</u>	<u>\$ 1,232,812</u>	<u>\$ 4,086,794</u>	<u>\$ 38,950,760</u>
Change in unrealized gain (loss) on Level 3 investments still held as of December 31, 2017	<u>\$ 123,865</u>	<u>\$ 415,936</u>	<u>\$ (146,335)</u>	<u>\$ (4,280,765)</u>	<u>\$ (3,887,299)</u>

The following table provides quantitative information regarding Level 3 fair value measurements as of December 31, 2018:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average)
First Lien Loans	<u>\$ 14,022,163</u>	Discounted Cash Flow	Discount Rate	35.6%-48.6%(44.3%)
<i>Total</i>	<u>14,022,163</u>			
Second Lien Loans	7,950,000	Market Approach	Real Estate Appraisal Values	N/A
	<u>10,153,815</u>	Discounted Cash Flow	Discount Rate	10.6%-38.5%(19.6%)
<i>Total</i>	<u>18,103,815</u>			
Unsecured Loans	1,088,463	Discounted Cash Flow	Discount Rate	31.6%
	<u>14,000</u>	Market Approach	Real Estate Appraisal Values	N/A
<i>Total</i>	<u>1,102,463</u>			
Equity	3,428,572	Discounted Cash Flow	Discount Rate	10.1%-12.2%(10.7%)
		Market Approach	Enterprise Value/Revenue Multiples	0.7X
		Market Approach	Enterprise Value/EBITDA Multiples	6.2X-8.5X(7.4X)
		Black-Scholes Option	Volatility	21.9%-31.1%(24.7%)
		Pricing Model	Discount for Lack of Marketability	5.0%-20.0%(15.4%)
	<u>1,925,722</u>	Market Approach	Real Estate Appraisal Values	N/A
<i>Total</i>	<u>5,354,294</u>			
Total Level 3 Investments	<u>\$ 38,582,735</u>			

The Company's remaining Level 3 investments aggregating approximately \$1,200 have been valued using unadjusted third party transactions. As a result, there were no unobservable inputs that have been internally developed by the Company in determining the fair values of these investments as of December 31, 2018.

As of December 31, 2018, the Company used both market and income approaches to value certain equity investments as the Company felt this approach better reflected the fair value of these investments. By considering multiple valuation approaches (and consequently, multiple valuation techniques), the valuation approaches and techniques are not likely to change from one period of measurement to the next; however, the weighting of each in determining the final fair value of a Level 3 investment may change based on recent events or transactions. Refer to "Note 2—Significant Accounting Policies" for more detail.

The Company considers all relevant information that can reasonably be obtained when determining the fair value of Level 3 investments. Due to any given portfolio company's information rights, changes in capital structure, recent events, transactions, or liquidity events, the type and availability of unobservable inputs may change. Increases (decreases) in revenue multiples, earnings before interest and taxes ("EBIT") multiples, time to expiration, and stock price/strike price would result in higher (lower) fair values all else equal. Decreases (increases) in discount rates, volatility, and annual risk rates, would result in higher (lower) fair values all else equal. The market approach utilizes market value (revenue and EBIT) multiples of publicly traded comparable companies and available precedent sales transactions of comparable companies. The Company carefully considers numerous factors when selecting the appropriate companies whose multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. In general, precedent transactions include recent rounds of financing, recent purchases made by the Company, and tender offers. Refer to "Note 2—Significant Accounting Policies" for more detail.

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The following table provides quantitative information regarding Level 3 fair value measurements as of December 31, 2017:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average)
First Lien Loans	\$ 6,664,000	Discounted Cash Flow	Discount Rate	11.80%-13.80%(12.80%)
	8,301,218	Discounted Cash Flow	Discount Rate	12.20%
		Market Approach	Enterprise Value/Revenue Multiple	0.6x-0.9x (0.75x)
		Market Approach	Real Estate Appraisal Values	N/A
<i>Total</i>	<u>14,965,218</u>			
Second Lien Loans	7,500,000	Market Approach	Real Estate Appraisal Values	N/A
	1,000,000	Discounted Cash Flow	Discount Rate	11.80%
	3,826,477	Discounted Cash Flow	Discount Rate	14.90%
		Market Approach	Enterprise Value / Revenue & EBITDA	
			Multiples	0.2x
	6,339,459	Discounted Cash Flow	Discount Rate	10.10%
		Market Approach	Enterprise Value/Revenue Multiple	8.5x
<i>Total</i>	<u>18,665,936</u>			
Unsecured Loans	1,218,812	Discounted Cash Flow	Discount Rate	11.60-14.90%(13.25%)
		Market Approach	Enterprise Value / Revenue & EBITDA	
			Multiples	0.20x– 19.10x (9.65x)
	14,000	Market Approach	Real Estate Appraisal Values	N/A
<i>Total</i>	<u>1,232,812</u>			
Equity	2,516,039	Black-Scholes Option	Volatility	22.40%-32.80% (27.60%)
		Pricing Model	Discount for lack of marketability	5.00%-30.00% (17.50%)
		Market Approach	Enterprise Value / Revenue & EBITDA	
			Multiples	0.20x – 19.10x (9.65x)
		Income Approach	Discount Rate	10.10% - 14.9% (12.50%)
	1,570,755	Market Approach	Real Estate Appraisal Values	N/A
<i>Total</i>	<u>4,086,794</u>			
Total Level 3 Investments	<u>\$ 38,950,760</u>			

The primary significant unobservable input used in the fair value measurement of the Company's debt securities (first lien loans, second lien loans and unsecured loans), including income-producing investments in funds, is the discount rate. Significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. In determining the discount rate, for the income (discounted cash flow) or yield approach, the Company considers current market yields and multiples, portfolio company performance, leverage levels and credit quality, among other factors in its analysis. Changes in one or more of these factors can have a similar directional change on other factors in determining the appropriate discount rate to use in the income approach.

The primary significant unobservable inputs used in the fair value measurement of the Company's equity investments are the EBITDA multiple and revenue multiple, which is used to determine the Enterprise Value. Significant increases (decreases) in the Enterprise Value in isolation would result in a significantly higher (lower) fair value measurement. To determine the Enterprise Value for the market approach, the Company considers current market trading and/or transaction multiples, portfolio company performance (financial ratios) relative to public and private peer companies and leverage levels, among other factors. Changes in one or more of these factors can have a similar directional change on other factors in determining the appropriate multiple to use in the market approach.

The primary unobservable inputs used in the fair value measurement of the Company's equity investments, when using an option pricing model to allocate the equity value to the investment, are the discount rate for lack of marketability and volatility. Significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the volatility in isolation would result in a significantly higher (lower) fair value measurement. Changes in one or more factors can have a similar directional change on other factors in determining the appropriate discount rate or volatility to use in the valuation of equity using an option pricing model.

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NOTE 6 – INCOME TAX

The Company is currently taxable as a C corporation and subject to federal and state corporate income taxes. The Company recorded a provision as follows:

	2018	2017
Current expense (benefit)	\$ 17,861	\$ 28,065
Deferred expense (benefit)	-	-
Total expense (benefit)	<u>\$ 17,861</u>	<u>\$ 28,065</u>

The components of deferred tax assets and liabilities at December 31, 2018 and 2017 were as follows:

Deferred tax assets:	2018	2017
Net operating loss carryforward	\$ 113,837	\$ 494,161
Net capital loss carryforwards	1,569,792	1,384,133
Basis differences in investments	<u>3,504,134</u>	<u>3,402,760</u>
Total gross deferred tax assets	5,187,763	5,281,054
Less: Valuation allowance	<u>(5,187,763)</u>	<u>(5,281,054)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2018 and 2017, the total amount of federal net operating loss carryforwards was approximately \$429,600 and \$1,819,547, respectively. The federal net operating loss carryforwards will begin to expire in 2036. As of December 31, 2018 and 2017, the total amount of federal capital loss carryforwards was approximately \$5,815,732 and \$5,924,088, respectively. The federal capital loss carryforwards will expire in 2021.

The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about the Company's future profitability which are inherently uncertain. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of all of the deferred tax assets will not be realized. Management believes that the likelihood of realizing the benefits of these deductible differences at December 31, 2018, does not meet the "more likely than not threshold" as defined in ASC 740 – Income Taxes and thus management has recorded a full valuation allowance.

For federal and state purposes, a portion of the Company's net operating loss carryforwards and basis differences may be subject to limitations on annual utilization in case of a change in ownership, as defined by federal and state law. The amount of such limitations, if any, has not been determined. Accordingly, the amount of such tax attributes available to offset future profits may be significantly less than the actual amounts of the tax attributes.

The difference between the tax provision (benefit) at the statutory federal income tax rate and the tax provision (benefit) was as follows:

	2018	2017
Federal statutory tax rate	21.0%	34.0%
State taxes, net of federal tax benefit	3.8	(1.1)
Permanent items	-	20.7
Deferred true-up	(37.8)	21.0
Rate change	-	(88.9)
Increase/(decrease) in valuation allowance	19.1	14.8
Federal payable true-up	7.0	-
Other	(2.3)	(1.6)
Effective tax rate	<u>10.8%</u>	<u>(1.1)%</u>

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The Company did not meet the qualifications of a RIC for the 2018 tax year and will be taxed as a corporation under Subchapter C of the Code. The Company does not expect to meet the qualifications of a RIC for the 2019 tax year. If the Company is unable to meet the qualifications of a RIC for the 2018 tax year, it will be taxed as a corporation under Subchapter C of the Code. As a RIC, the Company generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that the Company distributes to its stockholders as dividends and claims dividends paid deductions to compute taxable income. A RIC will not be eligible to utilize net operating losses. However, the net operating losses may become available should the Company disqualify as a RIC and become a C corporation in the future. In the event that the Company qualifies as a RIC, the Company itself will no longer be required to recognize deferred tax assets or liabilities.

In addition to meeting other requirements, the Company must generally distribute at least 90% of its investment company taxable income to qualify for the special treatment accorded to a RIC and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the later of (1) the fifteenth day of the ninth month following the close of that fiscal year or (2) the extended due date for filing the federal income tax return for that fiscal year.

The Company did not have any unrecognized tax benefits as of the period presented herein. The Company identified its major tax jurisdictions as U.S. federal and Massachusetts. For the years ended December 31, 2018, 2017, and 2016, no income tax expenses or related liabilities for uncertain tax positions were recognized for the Company's open tax years from inception through the present. The Company is not aware of any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will change significantly in the next 12 months.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. A key provision of the act was the reduction in the corporate tax rate to 21% for tax years beginning January 1, 2018. The Company has re-measured its deferred tax assets and liabilities and this re-measurement will be offset by a change in the valuation allowance during the corresponding period.

NOTE 7 – RELATED PARTY TRANSACTIONS

Transition of Investment Advisory Agreements

Our board of directors, including a majority of our independent directors, conditionally approved the PAG Investment Advisory Agreement between the Company and Princeton Advisory Group at its meeting held on January 18, 2016, subject to the approval of the Company's stockholders at the 2016 Annual Meeting of Stockholders. On June 9, 2016, the Company's stockholders approved the PAG Investment Advisory Agreement. The effective date of the PAG Investment Advisory Agreement was June 9, 2016. The Board of Directors of the Company previously approved the termination of the investment advisory agreement between the Company and Princeton Investment Advisors, LLC (the "PIA Investment Advisory Agreement"), such termination becoming effective on June 9, 2016, the date the PAG Investment Advisory Agreement was approved and adopted by the stockholders of the Company. At a Special Meeting of the Board held on June 27, 2017, the Board, including a majority of the independent directors of the Board, voted to renew the PAG Investment Advisory Agreement for another one year term, pursuant to the requirements of Section 9(c) of the PAG Investment Advisory Agreement and Section 15(c) of the 1940 Act. Subject to the overall supervision of our board of directors and in accordance with the 1940 Act, Princeton Advisory Group managed our day-to-day operations and provided investment advisory services to us until the PAG Investment Advisory Agreement was terminated effective December 31, 2017.

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As disclosed elsewhere in this 10-K (including Note 1), House Hanover has served as the Company's investment advisor since January 1, 2018 pursuant to the Interim Investment Advisory Agreement and the House Hanover Investment Advisory Agreement.

Since the transition of investment advisors occurred during the periods covered under the financial statements included in this Form 10-K, we have disclosed the material terms of the PIA Investment Advisory Agreement, PAG Investment Advisory Agreement and the House Hanover Investment Advisory Agreement, beginning with the PIA Investment Advisory Agreement.

PIA Investment Advisory Agreement

Our board of directors, including a majority of our independent directors, approved the PIA Investment Advisory Agreement at its meeting held on March 13, 2015. Subject to the overall supervision of our board of directors and in accordance with the 1940 Act, Princeton Investment Advisors managed our day-to-day operations and provided investment advisory services to us. Under the terms of the PIA Investment Advisory Agreement, Princeton Investment Advisors was responsible for the following:

- determining the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifying, evaluating and negotiating the structure of the investments we make;
- executing, closing, servicing and monitoring the investments we make;
- determining the securities and other assets that we purchase, retain or sell;
- performing due diligence on prospective portfolio companies; and
- providing us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds.

Pursuant to the PIA Investment Advisory Agreement, the Company agreed to pay Princeton Investment Advisors a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee. The cost of both the base management fee and the incentive fee will ultimately be borne by our stockholders.

Management Fee

The base management fee is calculated at an annual rate of 1.75% of our gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents, U.S. Treasury Bills, and deposits. For services rendered under the PIA Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets, as adjusted, at the end of the finalized prior quarter and the estimated current quarter. The management fee shown on the statement of operations includes the estimated management fee for the current period as well as a true-up for the prior quarter. Base management fees for any partial month or quarter will be appropriately pro-rated.

For the year ended December 31, 2017 and 2018 there were no management fees incurred under the PIA Investment Advisory Agreement. Management fees under the PIA Investment Advisory Agreement for the year ended December 31, 2016 were \$365,805. As of December 31, 2016, management fees of \$341,559 were payable to Princeton Investment Advisors. On October 18, 2017, as part of the Settlement Agreement with Princeton Investment Advisors, \$216,559 of previously accrued management fees due to Princeton Investment Advisors were reversed. These are reflected as management fee waiver on the statement of operations.

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Incentive Fee

The Company pays Princeton Investment Advisors an incentive fee. The incentive fee consists of two components that are independent of each other, with the result that one component may be payable even if the other is not.

The first component, which is income-based, will be calculated and payable quarterly in arrears, commencing with the quarter beginning April 1, 2015, based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, distribution income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The operation of the first component of the incentive fee for each quarter is as follows:

- no incentive fee is payable to Princeton Investment Advisors in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate of 2.00% (8.00% annualized);
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.50% in any calendar quarter (10.00% annualized) is payable to Princeton Investment Advisors. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.50%) as the “catch-up.” The effect of the “catch-up” provision is that, if such pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, Princeton Investment Advisors will receive 20% of such pre-incentive fee net investment income as if the hurdle rate did not apply; and
- 20% of the amount of such pre-incentive fee net investment income, if any, that exceeds 2.50% in any calendar quarter (10.00% annualized) is payable to Princeton Investment Advisors (once the hurdle rate is reached and the catch-up is achieved).

The portion of such incentive fee that is attributable to deferred interest (such as PIK interest or original issue discount) will be paid to Princeton Investment Advisors, together with interest from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possibly elimination of the incentive fees for such quarter.

There is no accumulation of amounts on the hurdle rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate and there is no delay of payment if prior quarters are below the quarterly hurdle rate. Since the hurdle rate is fixed, as interest rates rise, it will be easier for Princeton Investment Advisors to surpass the hurdle rate and receive an incentive fee based on pre-incentive fee net investment income.

Our net investment income used to calculate this component of the incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee. These calculations will be appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

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The second component, the capital gains component of the incentive fee, will be determined and payable in arrears as of the end of each calendar year (or upon termination of the PIA Investment Advisory Agreement, which occurred on June 9, 2016, as of the termination date of June 9, 2016), commencing on December 31, 2015, and will equal 20% of our cumulative aggregate realized capital gains from January 1st through the end of that calendar year, computed net of our aggregate cumulative realized capital losses and our aggregate cumulative unrealized capital depreciation through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees. If such amount is negative, then no capital gains incentive fee will be payable for such year. Additionally, if the PIA Investment Advisory Agreement is terminated as of a date that is not a calendar year end (as is the case with the termination having become effective as of June 9, 2016), the termination date will be treated as though it were a calendar year end for purposes of calculating and paying the capital gains incentive fee. The capital gains component of the incentive fee is not subject to any minimum return to stockholders.

Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses.

There were no incentive fees earned by Princeton Investment Advisors for the years ended December 31, 2017 and 2016.

Payment of Our Expenses

All investment professionals of Princeton Investment Advisors, when and to the extent engaged in providing investment advisory services to us, and the compensation and routine overhead expenses of personnel allocable to these services to us, will be provided and paid for by Princeton Investment Advisors and not by us. We will bear all other out-of-pocket costs and expenses of our operations and transactions, including, without limitation, those relating to:

- calculating our net asset value (including the cost and expenses of any third party independent valuation firm);
- fees and expenses payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance our investments and expenses related to unsuccessful portfolio acquisition efforts;
- offerings of our common stock and other securities;
- base management and incentive fees;
- administration fees and expenses, if any, payable under the administration agreement (including our allocable portion of Princeton Investment Advisors' overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our chief compliance officer, chief financial officer and their respective staffs);
- transfer agent, dividend agent and custodial fees and expenses;
- U.S. federal and state registration fees;
- all costs of registration and listing our stock on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- Costs of preparing and filing report or other documents required by the SEC or other regulators;

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- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- costs and fees associated with any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
- proxy voting expenses; and
- all other expenses incurred by us or Princeton Investment Advisors in connection with administering our business.

Duration and Termination

The PIA Investment Advisory Agreement was to continue in effect for a period of two years from its effective date. It was to remain in effect from year to year thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of our directors who are not “interested persons.” The PIA Investment Advisory Agreement was to automatically terminate in the event of its assignment, as defined in the 1940 Act, by Princeton Investment Advisors and may be terminated by either party without penalty upon 60 days’ written notice to the other. The holders of a majority of our outstanding voting securities could also terminate the investment advisory agreement without penalty upon 60 days’ written notice. As described elsewhere in this 10-K, on January 18, 2016 the Board of Directors of the Company approved the termination of the PIA Investment Advisory Agreement, such termination becoming effective on June 9, 2016, the date the PAG Investment Advisory Agreement was approved and adopted by the Company’s stockholders. The Company did not pay any early termination penalties as a result of the termination of the PIA Investment Advisory Agreement.

Indemnification

The PIA Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their duties and obligations under the PIA Investment Advisory Agreement, Princeton Investment Advisors and its officers, managers, partners, agents, employees, controlling persons and members, and any other person or entity affiliated with it, are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys’ fees and amounts reasonably paid in settlement) arising from the rendering of Princeton Investment Advisors’ services under the PIA Investment Advisory Agreement or otherwise as our investment advisor.

PAG Investment Advisory Agreement

Unlike the separate administration agreement that covered administrative services while Princeton Investment Advisors served as the investment advisor to the Company (as described below), under the PAG Investment Advisory Agreement, the administrative services of the Company were provided by Princeton Advisory Group, Inc. and subject to reimbursement of administrative related expenses under the PAG Investment Advisory Agreement.

Advisory Services

Princeton Advisory Group is registered as an investment adviser under the 1940 Act, and from June 9, 2016 until December 31, 2017, served as the Company’s investment advisor pursuant to the PAG Investment Advisory Agreement in accordance with the 1940 Act. Princeton Advisory Group is owned by and an affiliate of Mr. Munish Sood, the Company’s former President and former Chief Executive Officer.

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Subject to supervision by the Company's Board of Directors, Princeton Advisory Group oversees the Company's day-to-day operations and provides the Company with investment advisory services. Under the terms of the PAG Investment Advisory Agreement, Princeton Advisory Group, among other things: (i) determines the composition and allocation of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of the investments made by the Company; (iii) executes, monitors and services the Company's investments; (iv) determines the securities and other assets that the Company shall purchase, retain, or sell; (v) performs due diligence on prospective portfolio companies; (vi) provides the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds; and (vii) if directed by the Board, will assist in the execution and closing of the sale of the Company's assets or a sale of the equity of the Company in one or more transactions. Princeton Advisory Group's services under the PAG Investment Advisory Agreement may not be exclusive and it is free to furnish similar services to other entities so long as its services to the Company are not impaired.

Management Fee

Pursuant to the PAG Investment Advisory Agreement, the Company pays Princeton Advisory Group a base management fee for investment advisory and management services. The cost of the base management fee will ultimately be borne by the Company's stockholders. The PAG Investment Advisory Agreement does not include an incentive fee to Princeton Advisory Group.

The base management fee is calculated at an annual rate of 1.00% of the Company's gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents net of all indebtedness of the Company for borrowed money and other liabilities of the Company. The base management fee is payable quarterly in arrears, and determined as set forth in the preceding sentence at the end of the two most recently completed calendar quarters prior to the quarter for which such fees are being calculated. The Board of Directors may retroactively adjust the valuation of the Company's assets and the resulting calculation of the base management fee in the event the Company or any of its assets are sold or transferred to an independent third party or the Company or Princeton Advisory Group receives an audit report or other independent third party valuation of the Company. To the extent that any such adjustment increases or decreases the base management fee of any prior period, the Company will be obligated to pay the amount of increase to Princeton Advisory Group or Princeton Advisory Group will be obligated to refund the decreased amount, as applicable.

Management fees under the PAG Investment Advisory Agreement for the years ended December 31, 2017 and December 31, 2016 were \$407,609 and \$275,569, respectively. As of December 31, 2018 and December 31, 2017, management fees of \$19,282 and \$94,282, respectively, were payable to Princeton Advisory Group.

Incentive Fee

The Company is not obligated to pay Princeton Advisory Group an incentive fee.

Payment of Expenses

Princeton Advisory Group will bear all compensation expense (including health insurance, pension benefits, payroll taxes and other compensation related matters) of its employees and bear the costs of any salaries or directors' fees of any officers or directors of the Company who are affiliated persons (as defined in the 1940 Act) of Princeton Advisory Group. However, Princeton Advisory Group, subject to approval by the Board of Directors of the Company, will be entitled to reimbursement for the portion of any compensation expense and the costs of any salaries of any such employees to the extent attributable to services performed by such employees for the Company. During the term of the PAG Investment Advisory Agreement, Princeton Advisory Group will also bear all of its costs and expenses for office space rental, office equipment, utilities and other non-compensation related overhead allocable to performance of its obligations under the PAG Investment Advisory Agreement.

Except as provided in the preceding paragraph the Company will reimburse Princeton Advisory Group all direct and indirect costs and expenses incurred by it during the term of the PAG Investment Advisory Agreement for: (i) due diligence of potential investments of the Company, (ii) monitoring performance of the Company's investments, (iii) serving as officers of the Company, (iv) serving as directors and officers of portfolio companies of the Company, (v) providing managerial assistance to portfolio companies of the Company, and (vi) enforcing the Company's rights in respect of its investments and disposing of its investments; provided, however, that, any third party expenses incurred by Princeton Advisory Group in excess of \$50,000 in the aggregate in any calendar quarter will require advance approval by the Board of Directors of the Company.

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In addition to the foregoing, the Company will also be responsible for the payment of all of the Company's other expenses, including the payment of the following fees and expenses:

- organizational and offering expenses;
- expenses incurred in valuing the Company's assets and computing its net asset value per share (including the cost and expenses of any independent valuation firm);
- subject to the guidelines approved by the Board of Directors, expenses incurred by Princeton Advisory Group that are payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on the Company's prospective portfolio companies or otherwise related to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance the Company's investments and expenses related to unsuccessful portfolio acquisition efforts;
- offerings of the Company's common stock and other securities;
- administration fees;
- transfer agent and custody fees and expenses;
- U.S. federal and state registration fees of the Company (but not Princeton Advisory Group);
- all costs of registration and listing the Company's shares on any securities exchange;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required of the Company (but not Princeton Advisory Group) by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- the costs associated with individual or group stockholders;
- the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration and operation of the Company, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- all other non-investment advisory expenses incurred by the Company regarding administering the Company's business.

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Duration and Termination

Unless terminated earlier as described below, the PAG Investment Advisory Agreement will continue in effect for a period of one (1) year from its effective date. It will remain in effect from year to year thereafter if approved annually by the Company's Board or by the affirmative vote of the holders of a majority of the Company's outstanding voting securities, and, in either case, if also approved by a majority of the Company's directors who are neither parties to the PAG Investment Advisory Agreement nor "interested persons" (as defined under the 1940 Act) of any such party. The PAG Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, (i) upon written notice, effective on the date set forth in such notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's directors, or (ii) upon 60 days' written notice, by Princeton Group. The PAG Investment Advisory Agreement automatically terminates in the event of its "assignment," as defined in the 1940 Act. As disclosed elsewhere in this Form 10-K (including Note 1), the PAG Investment Advisory Agreement was terminated as of December 31, 2017. The Company did not pay any early termination penalties as a result of the termination of the PAG Investment Advisory Agreement.

Indemnification

The PAG Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of their duties, or by reason of the material breach or reckless disregard of their duties and obligations under the PAG Investment Advisory Agreement (and to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services), Princeton Advisory Group and its officers, managers, employees and members are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Princeton Advisory Group's services under the PAG Investment Advisory Agreement or otherwise as the Company's investment advisor. The amounts payable for indemnification will be calculated net of payments recovered by the indemnified party under any insurance policy with respect to such losses.

At all times during the term of the PAG Investment Advisory Agreement and for one year thereafter, Princeton Advisory Group is obligated to maintain directors and officers/errors and omission liability insurance in an amount and with a provider reasonably acceptable to the Board of Directors of the Company.

Administration Services and Sub-Administration Agreement

Princeton Advisory Group is entitled to reimbursement of expenses under the PAG Investment Advisory Agreement for administrative services performed for the Company.

Princeton Advisory Group engaged Conifer Asset Solutions LLC (the "Sub-Administrator") to provide certain administrative services to us. As of December 15, 2016, Conifer Asset Solutions LLC's parent company, Conifer Financial Services, LLC, was acquired by SS&C Technologies Holdings, Inc. In exchange for provided services, the Administrator pays the Sub-Administrator an asset-based fee with an annual minimum as adjusted for any reimbursement of expenses. The minimum annual fee rate is \$125,000 through June 9, 2017 and increases to a minimum annual fee rate of \$150,000 from June 10, 2017 through December 31, 2017. This asset-based fee will vary depending upon our gross assets, as adjusted, as follows:

Gross Assets	Fee
first \$150 million of gross assets	20 basis points (0.20%)
next \$150 million of gross assets	15 basis points (0.15%)
next \$200 million of gross assets	10 basis points (0.10%)
in excess of \$500 million of gross assets	5 basis points (0.05%)

Administration fees were \$264,000, \$200,293 and \$238,143 for the years ended December 31, 2018, 2017 and 2016, respectively, and sub-administration fees were \$150,000, \$139,354 and \$158,173 for the years ended December 31, 2018, 2017 and 2016, respectively, as shown on the Statements of Operations under administration fees.

House Hanover Investment Advisory Agreement

Effective as of January 1, 2018, House Hanover serves as our investment advisor. House Hanover is registered as an investment advisor under the 1940 Act.

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Material Changes in Investment Advisory Agreements

The terms and conditions of the House Hanover Investment Advisory Agreement and the PAG Investment Advisory Agreement are substantially similar, including all management fees payable by the Company. Neither the House Hanover Investment Advisory Agreement nor the PAG Investment Advisory Agreement, contain an incentive fee component, as would be typical of many external investment advisory agreements.

The terms and conditions of the House Hanover Investment Advisory Agreement and the Interim Investment Advisory Agreement are substantially similar, except that (i) the Interim Investment Advisory Agreement did not require approval in accordance with Rule 15a-4 of the 1940 Act and (ii) the duration of the House Hanover Investment Advisory Agreement is one year from the effective date (May 31, 2018) and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (a) the vote of the Board, or by the vote of a majority of the outstanding voting securities of the Company and (b) the vote of a majority of the members of the Board who are not parties to the House Hanover Investment Advisory Agreement or “interested persons” (as such term is defined in Section 2(a)(19) of the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act, as opposed to a 150-day limitation on the term, as set forth in the Interim Investment Advisory Agreement.

Advisory Services

House Hanover is registered as an investment adviser under the 1940 Act and serves as the Company’s investment advisor pursuant to the House Hanover Investment Advisory Agreement in accordance with the 1940 Act. House Hanover is owned by and an affiliate of Mr. Mark DiSalvo, the Company’s Interim President, Interim Chief Executive Officer, and a director of the Company.

Subject to supervision by the Company’s Board, House Hanover oversees the Company’s day-to-day operations and provide the Company with investment advisory services. Under the terms of the House Hanover Investment Advisory Agreement, House Hanover, among other things: (i) determines the composition and allocation of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of the investments made by the Company; (iii) executes, closes, services and monitors the Company’s investments; (iv) determines the securities and other assets that the Company shall purchase, retain, or sell; (v) performs due diligence on prospective portfolio companies; (vi) provides the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds; and (vii) if directed by the Board, assists in the execution and closing of the sale of the Company’s assets or a sale of the equity of the Company in one or more transactions. House Hanover’s services under the House Hanover Investment Advisory Agreement may not be exclusive and it is free to furnish similar services to other entities so long as its services to the Company are not impaired. At the request of the Company, House Hanover, upon any transition of the Company’s investment advisory relationship to another investment advisor or upon any internalization, shall provide reasonable transition assistance to the Company and any successor investment advisor.

Management Fee

Pursuant to the House Hanover Investment Advisory Agreement, the Company pays House Hanover a base management fee for investment advisory and management services. The cost of the base management fee is ultimately borne by the Company’s stockholders. The House Hanover Investment Advisory Agreement does not contain an incentive fee component.

The base management fee is calculated at an annual rate of 1.00% of the Company’s gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents net of all indebtedness of the Company for borrowed money and other liabilities of the Company. The base management fee is payable quarterly in arrears, and determined as set forth in the preceding sentence at the end of the two most recently completed calendar quarters. The Board may retroactively adjust the valuation of the Company’s assets and the resulting calculation of the base management fee in the event the Company or any of its assets are sold or transferred to an independent third party or the Company or House Hanover receives an audit report or other independent third party valuation of the Company. To the extent that any such adjustment increases or decreases the base management fee of any prior period, the Company will be obligated to pay the amount of increase to House Hanover or House Hanover will be obligated to refund the decreased amount, as applicable.

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Management fees under the House Hanover Investment Advisory Agreement for the year ended December 31, 2018 were \$402,750. As of December 31, 2018 and December 31, 2017, management fees of \$81,296 and \$0, respectively were payable to House Hanover.

Incentive Fee

The Company is not obligated to pay House Hanover an incentive fee.

Payment of Expenses

House Hanover bears all compensation expense (including health insurance, pension benefits, payroll taxes and other compensation related matters) of its employees and bear the costs of any salaries or directors' fees of any officers or directors of the Company who are affiliated persons (as defined in the 1940 Act) of House Hanover. However, House Hanover, subject to approval by the Board of the Company, is entitled to reimbursement for the portion of any compensation expense and the costs of any salaries of any such employees to the extent attributable to services performed by such employees for the Company. During the term of the House Hanover Investment Advisory Agreement, House Hanover will also bear all of its costs and expenses for office space rental, office equipment, utilities and other non-compensation related overhead allocable to performance of its obligations under the House Hanover Investment Advisory Agreement.

Except as provided in the preceding paragraph the Company reimburses House Hanover all direct and indirect costs and expenses incurred by it during the term of the House Hanover Investment Advisory Agreement for: (i) due diligence of potential investments of the Company, (ii) monitoring performance of the Company's investments, (iii) serving as officers of the Company, (iv) serving as directors and officers of portfolio companies of the Company, (v) providing managerial assistance to portfolio companies of the Company, and (vi) enforcing the Company's rights in respect of its investments and disposing of its investments; provided, however, that, any third party expenses incurred by House Hanover in excess of \$50,000 in the aggregate in any calendar quarter will require advance approval by the Board of the Company.

In addition to the foregoing, the Company will also be responsible for the payment of all of the Company's other expenses, including the payment of the following fees and expenses:

- organizational and offering expenses;
- expenses incurred in valuing the Company's assets and computing its net asset value per share (including the cost and expenses of any independent valuation firm);
- subject to the guidelines approved by the Board of Directors, expenses incurred by House Hanover that are payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on the Company's prospective portfolio companies or otherwise related to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance the Company's investments and expenses related to unsuccessful portfolio acquisition efforts;
- offerings of the Company's common stock and other securities;
- administration fees;
- transfer agent and custody fees and expenses;
- U.S. federal and state registration fees of the Company (but not House Hanover);
- all costs of registration and listing the Company's shares on any securities exchange;

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- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required of the Company (but not House Hanover) by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- the costs associated with individual or group stockholders;
- the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration and operation of the Company, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- all other non-investment advisory expenses incurred by the Company regarding administering the Company's business.

Duration and Termination

Unless terminated earlier as described below, the House Hanover Investment Advisory Agreement will continue in effect for a period of one (1) year from its effective date. It will remain in effect from year to year thereafter if approved annually by the Company's Board or by the affirmative vote of the holders of a majority of the Company's outstanding voting securities, and, in either case, if also approved by a majority of Company's directors who are neither parties to the House Hanover Investment Advisory Agreement nor "interested persons" (as defined under the 1940 Act) of any such party. The House Hanover Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, (i) upon written notice, effective on the date set forth in such notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's directors, or (ii) upon 60 days' written notice, by House Hanover. The House Hanover Investment Advisory Agreement automatically terminates in the event of its "assignment," as defined in the 1940 Act.

Indemnification

The House Hanover Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of their duties, or by reason of the material breach or reckless disregard of their duties and obligations under the House Hanover Investment Advisory Agreement, House Hanover and its officers, managers, employees and members are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of House Hanover's services under the House Hanover Investment Advisory Agreement or otherwise as the Company's investment advisor. The amounts payable for indemnification will be calculated net of payments recovered by the indemnified party under any insurance policy with respect to such losses.

At all times during the term of the House Hanover Investment Advisory Agreement and for one year thereafter, House Hanover is obligated to maintain directors and officers/errors and omission liability insurance in an amount and with a provider reasonably acceptable to the Board of the Company.

Administration Services and Service Agreement

House Hanover is entitled to reimbursement of expenses under the House Hanover Investment Advisory Agreement for administrative services performed for the Company.

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On January 1, 2018, Princeton Capital Corporation directly entered into a service agreement with SS&C Technologies Holdings, Inc. (the “Sub-Administrator”) to provide certain administrative services to the Company. In exchange for provided services, the Company pays the Sub-Administrator an asset-based fee with a \$150,000 annual minimum as adjusted for any reimbursement of expenses. This asset-based fee will vary depending upon our gross assets, as adjusted, as follows:

Gross Assets	Fee
first \$150 million of gross assets	20 basis points (0.20%)
next \$150 million of gross assets	15 basis points (0.15%)
next \$200 million of gross assets	10 basis points (0.10%)
in excess of \$500 million of gross assets	5 basis points (0.05%)

Managerial Assistance

As a BDC, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board of directors and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. As of December 31, 2018, none of the portfolio companies had accepted our offer for such services.

Other Related Party Transactions

On March 30, 2016, the Company, as Borrower, entered into a Term Loan in the amount of \$1,500,000 with Sema4, Inc. and Princeton Advisory Group, as Lenders in order to purchase certain assets to attempt to qualify as a RIC. Sema4, Inc. committed \$1,000,000 and Princeton Advisory Group committed \$500,000. The loan was repaid in full with interest at a rate of 10.0% per annum on April 8, 2016. Sema4, Inc. is owned by Mark DiSalvo, the Company’s Interim President, Interim Chief Executive Officer, and a director of the Company, and is the general partner of CPP and CPPII, which own approximately 87% and 9% of our common stock, respectively. Princeton Advisory Group is wholly owned by Munish Sood, a former Director, former President, and former CEO of the Company.

As disclosed in the Company’s Form 8-K filed with the SEC on June 30, 2016, on June 28, 2016, the Company, as Borrower, entered into a Term Loan in the amount of \$390,000 with Munish Sood, as Lender, in order to purchase certain assets to attempt to qualify as a RIC. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan was repaid in full with interest at a rate of 10.0% per annum on July 11, 2016.

As disclosed in the Company’s Form 8-K filed with the SEC on September 16, 2016, on September 12, 2016, the Company, as a Borrower, entered into a Term Loan in the amount of \$225,000 with Munish Sood, former CEO, President and Director of the Company, as Lender, in order to fund capital to one of its portfolio companies, Rockfish Seafood Grill, Inc. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan will bear interest at a rate of 10.0% per annum and matures on December 12, 2016. As disclosed in the Company’s Form 8-K filed with the SEC on October 27, 2016, on October 21, 2016, Munish Sood lent an additional \$140,000 under this Term Loan. On March 29, 2017, Munish Sood, in order to purchase certain assets to qualify as a RIC, lent an additional \$450,000 under this Term Loan and extended the maturity date to June 30, 2017. On April 10, 2017, the Company made a principal and interest payment totaling \$450,984 on this Term Loan. The loan was repaid in full with interest on July 17, 2017.

As disclosed in the Company’s Form 8-K filed with the SEC on October 5, 2016, on September 29, 2016 the Company, as Borrower, entered into a Term Loan in the amount of \$470,000 with Munish Sood, as Lender, in order to purchase certain assets to attempt to qualify as a RIC. The board of directors of the Company, by unanimous written consent, authorized and approved that the Company enter into the Loan Agreement. The loan was repaid in full with interest at a rate of 10.0% per annum on October 7, 2016.

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On June 28, 2017, Munish Sood made a non-interest bearing short term loan to Advantis Certified Staffing Solutions, Inc., one of the Company's portfolio companies, in the amount of \$89,225 for a short term working capital need. The loan was repaid without interest on July 5, 2017.

NOTE 8 – FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Per Share Data ⁽¹⁾:					
Net asset value at beginning of period	\$ 0.344	\$ 0.365	\$ 0.400	\$ 0.254	\$ 0.564
Net investment income (loss)	0.009	0.008	(0.004)	(0.013)	(0.144)
Change in unrealized gain (loss)	(0.007)	(0.035)	(0.019)	(0.081)	(0.358)
Realized gain	(0.001)	0.006	(0.012)	0.002	0.192
Change in capital share transactions	-	-	-	0.238	-
Net asset value at end of period	\$ 0.345	\$ 0.344	\$ 0.365	\$ 0.400	\$ 0.254
Total return based on net asset value ⁽²⁾	0.3%	(5.8)%	(8.8)%	(36.2)%	(55.0)%
Weighted average shares outstanding for period, basic	120,486,061	120,486,061	120,486,061	97,402,398	1,816,534
Ratio/Supplemental Data:					
Net assets at end of period	\$ 41,554,951	\$ 41,407,539	\$ 43,985,319	\$ 48,225,563	\$ 462,022
Average net assets	\$ 41,416,562	\$ 42,634,685	\$ 46,991,446	\$ 45,472,971	\$ 743,758
Total operating expenses to average net assets	5.4%	3.8%	5.8%	9.5%	35.2%
Net operating expenses to average net assets	5.4%	3.3%	5.8%	9.5%	35.2%
Net investment income (loss) to average net assets	2.5%	2.4%	(1.1)%	(2.7)%	(35.2)%
Net investment income (loss) to average net assets, excluding management fee waiver	2.5%	1.9%	(1.1)%	(2.7)%	(35.2)%
Net investment income (loss) to average net assets, excluding other income from non-investment sources ⁽³⁾	2.5%	0.1%	(1.1)%	(2.7)%	(35.2)%
Net investment income (loss) to average net assets, excluding other income from non-investment sources, excluding management fee waiver ⁽³⁾	2.5%	(0.4)%	(1.1)%	(2.7)%	(35.2)%
Net operating expenses excluding management fees, incentive fees, and interest expense to average net assets	4.3%	2.8%	4.3%	8.0%	35.2%
Net operating expenses excluding management fees, incentive fees, and interest expense to average net assets, excluding management fee waiver	4.3%	3.2%	4.3%	8.0%	35.2%
Net increase (decrease) in net assets resulting from operations to average net assets	0.4%	(6.0)%	(9.0)%	(19.5)%	(75.8) ⁽⁴⁾ %
Portfolio Turnover	0.5%	7.0%	1.1%	0.7%	31.2 ⁽⁴⁾ %

(1) Financial highlights are based on weighted average shares outstanding.

(2) Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in the period. The total returns are not annualized.

(3) Other income from non-investment sources only includes the reduction of previously accrued expenses totaling \$968,256 for the year ended December 31, 2017.

(4) Unaudited

NOTE 9 – COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into investment agreements under which it commits to make an investment in a portfolio company at some future date or over a specified period of time. The Company maintains sufficient assets to provide adequate cover to allow it to satisfy its unfunded commitment amount as of December 31, 2018. The unfunded commitment is accounted for under ASC 820. As of the date of this report, all commitments have been funded.

On June 2, 2015, the Company entered into a Lease Guaranty Agreement to guaranty a portion of a lease entered into by Rockfish Seafood Grill, Inc. The Company's guaranty is limited to the total tenant improvement allowance and the total amount of commissions that the landlord provided in connection with the lease. The total guaranteed amount by the Company is \$292,701 and reduces proportionally after each of the first sixty months of the lease, which commenced in November 2015, so long as no uncured event of default exists. As of December 31, 2018, the guaranteed amount was approximately \$107,000.

Legal Proceedings

On or around September 8, 2015, a lawsuit was filed captioned *Capital Link Fund I, LLC, et al. v. Capital Point Management, LP, et al.*, C.A. No. 11483-VCN in the Delaware Court of Chancery.

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The following description of the settlement agreement is qualified in its entirety by reference to the full text of the Settlement Agreement, which is attached as Exhibit 99.1 to the 8-K filed on January 22, 2016:

On January 19, 2016, the Company, Princeton Advisory Group, Inc., Gregory J. Cannella, Munish Sood, Thomas Jones, Jr. and Trennis L. Jones (together the “Independent Directors” and the Independent Directors together with the Company, Princeton Advisory Group, Inc., Cannella and Sood, the “Settling Defendants”) on the one hand, entered into a settlement agreement (“Settlement Agreement”) with Capital Link Fund I, LLC (“Capital Link”), CT Horizon Legacy Fund, LP (“CT Horizon”), CPP, and Sema4, Inc. (“Semaphore” and together with Capital Link, CT Horizon and CPP I, the “Plaintiffs” or the “Capital Point Parties”) on the other hand. CPP I is the Company’s largest stockholder.

Subject to the terms and conditions contained therein, the Settlement Agreement settles between the Plaintiffs and the Settling Defendants the disputes described in the lawsuit. No monies were paid or exchanged by any of the parties as a part of the settlement and none of the parties admitted any wrongdoing. For the avoidance of doubt, none of the following is a party to the Settlement Agreement: Alfred Jackson (“Jackson”), Martin Tuchman (“Tuchman”), Capital Point Management, LP (“CPM”), Capital Point Advisors, LP (“CPA”) or Princeton Investment Advisors, LLC (“PIA,” and, together with Jackson, Tuchman, CPM and CPA, collectively the “Non-Settling Defendants”). As part of the terms of the Settlement Agreement, Sood and Cannella waived any rights to indemnification they may have had against the Company as it relates to the lawsuit. Subsequently, pursuant to a written agreement among the Company, Jackson, CPM, CPA, and PIA, Jackson waived any rights to indemnification that he may have had against the Company.

On June 17, 2016, a Stipulation and Order of Dismissal of Claims (the “Dismissal Order”) against the Settling Defendants (which includes the Company) and Tuchman (collectively, the “Dismissed Defendants”) was entered in the Delaware Court of Chancery. The Dismissal Order, which was dated June 10, 2016, dismissed with prejudice the claims brought by the Plaintiffs against the Dismissed Defendants. The Dismissal Order did not dismiss the claims against Jackson, CPM, CPA or PIA.

On February 24, 2017, a Stipulation and Order of Dismissal of Claims (the “Dismissal Order II”) against Jackson, CPM, CPA and PIA was entered in the Delaware Court of Chancery. The Dismissal Order II, which was dated February 24, 2017, dismissed with prejudice the claims brought by the Plaintiffs against Jackson, CPM, CPA and PIA. Terms of any settlement were not disclosed and all claims with respect to the lawsuit have now been dismissed, signifying that the status quo order that included the Company has now been lifted.

As a result of the allegations contained in the complaints filed by the United States of America against Munish Sood, the former President, Chief Executive Officer, and director of the Company, and others captioned *U.S. v. Lamont Evans, et al.* and *U.S. v. James Gotto, et al.*, in the Southern District of New York., on September 27, 2017 and as previously disclosed, the Board authorized and directed its Audit Committee (which consists of the Board’s three independent board members) to conduct an independent investigation into whether such events impacted the Company, and the extent to which any officer or employee of the Company may have been involved, and whether any corporate funds may have been utilized in the conduct alleged.

Mr. Sood resigned from his positions as a director, Chief Executive Officer, and President, effective September 27, 2017. The Company has been informed that Mr. Sood plead guilty to charges of bribery and fraud in August of 2018.

From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company’s rights under contracts with its portfolio companies. The Company is not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

NOTE 10 – UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

The Company’s investments are primarily in private small and lower middle-market companies. In accordance with Rules 3.09 and 4.08(g) of Regulation S-X, the Company must determine which of its unconsolidated controlled portfolio companies are considered “significant subsidiaries”, if any. In evaluating these investments, there are three tests utilized to determine if any of the Company’s control investments are considered significant subsidiaries; the investment, the asset, and the income significant tests. Rule 3.09 of Regulation S-X, as interpreted by the SEC, requires the Company to include separate audited financial statements of any unconsolidated majority-owned or control subsidiary in this filing if either the investment or income significant test exceeds 20% of the Company’s total investments at fair value or total income, respectively. Rule 4-08(g) of Regulation S-X requires summarized financial information of an unconsolidated subsidiary in this filing if it does not qualify under Rule 3.09 of Regulation S-X and any of the three significant tests exceeds 10% of the Company’s total investments at fair value, total assets or total income.

PRINCETON CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

The Company has determined that Rockfish Seafood Grill, Inc., Advantis Certified Staffing Solutions, Inc., Integrated Medical Partners, LLC and PCC SBH Sub, Inc. its four majority owned or control investments were considered significant subsidiaries at the 20% level at December 31, 2018 as prescribed under Rule 3-09 of Regulation S-X. The Company has included the audited financial statements of Rockfish Seafood Grill, Inc. for the years ended December 26, 2018 and December 27, 2017 and Advantis Certified Staffing Solutions, Inc., Integrated Medical Partners, LLC and PCC SBH Sub, Inc. for the year ended December 31, 2018 as exhibits to the Company's financial statements. See "Item 15. Exhibits And Financial Statement Schedules."

The audited financial statements of Rockfish Seafood Grill, Inc. for the year ended December 28, 2016 and Advantis Certified Staffing Solutions, Inc. for the year ended December 31, 2017 were previously disclosed in the Company's 2017 Form 10-K filed on November 30, 2018.

NOTE 11 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Investment Income	\$ 1,808,087	\$ 555,013	\$ 485,043	\$ 428,382
Total Operating Expenses	504,672	693,668	536,359	484,402
Income tax expense	1,250	1,250	2,598	12,763
Net Investment Income (Loss)	1,302,165	(139,905)	(53,914)	(68,783)
Net Realized Gain/(Loss) on Investments	-	(108,356)	-	-
Net Change in Unrealized Appreciation/(Depreciation)	(1,198,368)	129,814	389,341	(104,582)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>\$ 103,797</u>	<u>\$ (118,447)</u>	<u>\$ 335,427</u>	<u>\$ (173,365)</u>
Net Increase (Decrease) in Net Assets from Operations per Common Share:				
Basic	\$ 0.001	\$ (0.001)	\$ 0.003	\$ (0.001)
Diluted	\$ 0.001	\$ (0.001)	\$ 0.003	\$ (0.001)
Weighted Average Common Shares Outstanding - Basic	120,486,061	120,486,061	120,486,061	120,486,061
Weighted Average Common Shares Outstanding - Diluted	120,486,061	120,486,061	120,486,061	120,486,061

	Quarter Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Investment Income	\$ 1,364,965	\$ 370,660	\$ 344,787	\$ 353,134
Total Operating Expenses/(Reversal of Operating Expenses)	32,542	424,750	380,104	552,531
Income tax expense	2,267	7,684	7,684	10,430
Net Investment Income (Loss)	1,330,156	(61,774)	(43,001)	(209,827)
Net Realized Gain/(Loss) on Investments	-	589,111	-	-
Net Change in Unrealized Appreciation/(Depreciation)	(2,811,935)	449,691	128,650	(1,948,851)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>\$ (1,481,779)</u>	<u>\$ 977,028</u>	<u>\$ 85,649</u>	<u>\$ (2,158,678)</u>
Net Increase (Decrease) in Net Assets from Operations per Common Share:				
Basic	\$ (0.012)	\$ 0.008	\$ 0.001	\$ (0.018)
Diluted	\$ (0.012)	\$ 0.008	\$ 0.001	\$ (0.018)
Weighted Average Common Shares Outstanding - Basic	120,486,061	120,486,061	120,486,061	120,486,061
Weighted Average Common Shares Outstanding - Diluted	120,486,061	120,486,061	120,486,061	120,486,061

PRINCETON CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

	Quarter Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total Investment Income	\$ 1,002,619	\$ 345,210	\$ 474,488	\$ 464,017
Total Operating Expenses	493,740	550,802	739,286	959,478
Income tax (benefit) expense	(296,572)	8,689	9,006	320,000
Net Investment Income (Loss)	805,451	(214,281)	(273,804)	(815,461)
Net Realized Gain/(Loss) on Investments	(1,411,757)	(49,958)	(172)	-
Net Change in Unrealized Appreciation/(Depreciation)	437,527	(919,686)	(4,700,868)	2,902,165
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>\$ (168,779)</u>	<u>\$ (1,183,925)</u>	<u>\$ (4,974,844)</u>	<u>\$ 2,086,704</u>
Net Increase (Decrease) in Net Assets from Operations per Common Share:				
Basic	\$ (0.001)	\$ (0.010)	\$ (0.041)	\$ 0.0170
Diluted	\$ (0.001)	\$ (0.010)	\$ (0.041)	\$ 0.0170
Weighted Average Common Shares Outstanding - Basic	120,486,061	120,486,061	120,486,061	120,486,061
Weighted Average Common Shares Outstanding - Diluted	120,486,061	120,486,061	120,486,061	120,486,061

NOTE 12 – SUBSEQUENT EVENTS

Portfolio Activity

- On February 28, 2019, the Company made a loan to Capital Foundry Funding, LLC and CF Energy Finance, LLC (together, “Capital Foundry”) in the amount of \$1,000,000. The loan will bear an interest rate of Prime as published in the Wall Street Journal with a floor of 4.25% and has a collateral management fee of 0.68% per month. This loan is secured by a second-priority collateral assignment of all loan documents between Capital Foundry and its various borrowers. The Company has also obtained an unlimited guaranty from Capital Foundry, LLC, along with personal guaranties from the principals of Capital Foundry that reduces as additional equity is put into their loan portfolio. The maturity date on the loan is April 21, 2020.
- On March 1, 2019, the Company made a loan to Dominion Medical Management, Inc. (“Dominion”), a wholly owned subsidiary of Intergrated Medical Partners, LLC, in the amount of \$586,128. This amount was consolidated in to the existing second lien loan outstanding from Dominion. Dominion has agreed to pay \$35,000 per month plus an approximately \$258,000 from expected federal tax refunds until the principal amount of this new loan is paid in full. The maturity date of the loan was also extended until March 31, 2020.
- On March 8, 2019, the Company received a payment of \$258,774 from Dominion related to their agreement to pay the Company that amount from expected federal tax refunds. Of this amount, \$47,000 was applied to outstanding invoices from the Company to Dominion related to legal fee reimbursement with the remaining \$211,744 applied to principal and interest on the outstanding second lien loan.
- On March 19, 2019, the Company amended the Rockfish Seafood Grill, Inc. Revolving Line of Credit (“RSG Revolver”) to increase the maximum principal amount to \$1,921,000 for restaurant improvements and enhancements and to extend the maturity date to December 31, 2019.
- On March 19, 2019, the Company entered into a letter agreement with regards to the promissory note with PCC SBH Sub, Inc. to extend the maturity date to December 31, 2019.
- On March 20, 2019, the Company entered into a letter agreement with regards to all outstanding bridge loans to Advantis Certified Staffing Solutions, Inc. to extend their maturity dates to December 31, 2019.
- On March 21, 2019, the Company funded \$100,000 on the RSG Revolver, making it fully funded.

PRINCETON CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Schedule 12-14

The table below represents the fair value of control and affiliate investments at December 31, 2017 and any amortization, purchases, sales, and realized and change in unrealized gain (loss) made to such investments, as well as the ending fair value as of December 31, 2018.

Portfolio Company/Type of Investment ⁽³⁾	Principal Amount/ Shares/ Ownership % at December 31, 2018	Amount of Interest and Dividends Credited in Income	Fair Value at December 31, 2017	Purchases ⁽²⁾	Sales	Transfers from Restructuring/ Transfers into Control Investments	Change in Unrealized Gains/Losses	Fair Value at December 31, 2018
Control Investments								
Advantis Certified Staffing Solutions, Inc.								
Second Lien Loan, 6.0% Cash, due 11/30/2021 ⁽¹⁾	\$ 4,500,000	\$ -	\$ 3,826,477	\$ -	\$ -	\$ -	\$ (1,368,590)	\$ 2,457,887
Unsecured loan 5%, due 10/31/2017	\$ -	-	76,839	-	(89,224)	-	12,385	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	59,422	-	(69,000)	-	9,578	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	107,648	-	(125,000)	-	17,352	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	25,836	-	(30,000)	-	4,164	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	90,425	-	(105,000)	-	14,575	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	172,237	-	(200,000)	-	27,763	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	129,178	-	(150,000)	-	20,822	-
Unsecured loan 5%, due 12/31/2017	\$ -	-	38,753	-	(45,000)	-	6,247	-
Unsecured loan, 5%, due 12/31/2018	\$ 813,225	40,550	-	813,225	-	-	(160,948)	652,277
Unsecured loan, 5%, due 12/31/2018	\$ 90,000	4,192	-	90,000	-	-	(17,812)	72,188
Unsecured loan, 8%, due 12/31/2018	\$ 150,000	10,126	-	150,000	-	-	(25,885)	124,115
Unsecured loan, 8%, due 12/31/2018	\$ 110,000	6,052	-	110,000	-	-	(18,983)	91,017
Unsecured loan, 10.75%, due 12/31/2018	\$ 175,000	10,824	-	175,000	-	-	(26,134)	148,866
Common Stock – Series A ⁽¹⁾	225,000	-	3,713	-	-	-	(3,713)	-
Common Stock – Series B ⁽¹⁾	9,500,000	-	156,757	-	-	-	(156,757)	-
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ⁽¹⁾	1	-	4,125	-	-	-	(4,125)	-
Warrant for 250,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 ⁽¹⁾	1	-	11,551	-	-	-	(11,551)	-
Rockfish Seafood Grill, Inc.								
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 ⁽¹⁾	\$ 6,352,944	-	6,637,883	-	-	-	51,910	6,689,793
Revolving Loan, 8% Cash, due 12/31/2018	\$ 1,821,000	141,381	1,663,335	200,000	-	-	(397,883)	1,465,452
Rockfish Holdings, LLC								
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 ⁽¹⁾	10.000%	-	257,647	-	-	-	(257,647)	-
Membership Interest – Class A ⁽¹⁾	99.997%	-	28,628	-	-	-	(28,628)	-
Dominion Medical Management, Inc.								
Unsecured Loan, 6.0% Cash, due 9/30/2019	\$ -	6,017	437,085	-	-	-	(437,085)	-
Unsecured Loan, 6.0% Cash, due 5/20/2018	\$ -	860	81,389	-	(66,667)	-	(14,722)	-
Second Lien Term Loan, 12.0% Cash, 6% PIK due, 3/1/2019	\$ 1,137,438	155,768	-	652,182	-	-	377,574	1,029,756
Integrated Medical Partners, LLC								
Preferred Membership – Class A units ⁽¹⁾	800	-	1,844,856	-	-	-	(847,584)	997,272
Preferred Membership – Class B units ⁽¹⁾	760	-	34,514	-	-	-	8,097	42,611
Common Units ⁽¹⁾	14,082	-	307	-	-	-	6,416	6,723
PCC SBH Sub, Inc.								
Unsecured loan, 12% Cash, due 2/15/2018 ⁽¹⁾	\$ 14,000	1,734	14,000	-	-	-	-	14,000
Common Stock ⁽¹⁾	100	-	1,570,755	-	-	-	354,967	1,925,722
Total Control Investments		<u>\$ 377,504</u>	<u>\$ 17,273,360</u>	<u>\$ 2,190,407</u>	<u>\$ (879,891)</u>	<u>\$ -</u>	<u>\$ (2,866,197)</u>	<u>\$ 15,717,679</u>

(1) Non-income producing security.

(2) Includes PIK interest and common stock issued in exchange for investments.

(3) Represents an illiquid investment.

PRINCETON CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

The table below represents the fair value of control and affiliate investments at December 31, 2016 and any amortization, purchases, sales, and realized and change in unrealized gain (loss) made to such investments, as well as the ending fair value as of December 31, 2017.

Portfolio Company/Type of Investment ⁽³⁾	Principal Amount/ Shares/ Ownership % at December 31, 2017	Amount of Interest and Dividends Credited in Income	Fair Value at December 31, 2016	Purchases (2)	Sales	Transfers from Restructuring/ Transfers into Control Investments	Change in Unrealized Gains/Losses	Fair Value at December 31, 2017
Control Investments								
Advantis Certified Staffing Solutions, Inc.								
Second Lien Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500,000	\$ (673,523)	\$ 3,826,477
Unsecured Loan	\$ 813,225	12,412	-	813,225	-	-	(112,887)	700,338
Common Stock – Series A	225,000	-	-	10,150	-	-	(6,437)	3,713
Common Stock – Series B	9,500,000	-	-	428,571	-	-	(271,814)	156,757
Warrants	2	-	-	11,278	-	-	4,398	15,676
Rockfish Seafood Grill, Inc.								
First Lien Loan ⁽¹⁾	\$ 6,352,944	-	6,549,261	-	-	-	88,622	6,637,883
Revolving Loan ⁽¹⁾	\$ 1,621,000	-	1,481,000	140,000	-	-	42,335	1,663,335
Rockfish Holdings, LLC								
Warrant ⁽¹⁾	10%	-	102,826	-	-	-	154,821	257,647
Membership Interest ⁽¹⁾	89.400%	-	925,407	-	-	-	(896,779)	28,628
Dominion Medical Management, Inc.								
Unsecured Loan ⁽¹⁾	\$ 551,922	21,475	276,922	551,922	(276,922)	-	(33,448)	518,474
Integrated Medical Partners, LLC								
Preferred Membership – Class A ⁽¹⁾	800	-	3,337,779	-	-	-	(1,492,923)	1,844,856
Preferred Membership – Class B ⁽¹⁾	760	-	365,884	-	-	-	(331,370)	34,514
Common Stock ⁽¹⁾	14,082	-	20,059	-	-	-	(19,752)	307
PCC SBH Sub, Inc.								
Common Stock	100	-	-	-	-	2,525,481	(954,726)	1,570,755
Unsecured Loan ⁽¹⁾	\$ 14,000	1,721	-	20,000	(6,000)	-	-	14,000
Total Control Investments		\$ 35,608	\$ 13,059,138	\$ 1,975,146	\$ (282,922)	\$ 7,025,481	\$ (4,503,483)	\$ 17,273,360
Affiliate Investments								
Spencer Enterprises Holdings, LLC								
Preferred Membership, Class AA units ⁽¹⁾	-	\$ -	\$ 2,705,363	\$ -	\$ (2,071,043)	\$ -	\$ (634,320)	\$ -
Preferred Membership, Class BB units ⁽¹⁾	-	-	3,681,316	-	(3,824,818)	-	143,501	-
Total Affiliate Investments		\$ -	\$ 6,386,679	\$ -	\$ (5,895,861)	\$ -	\$ (490,819)	\$ -

(1) Non-income producing security.

(2) Includes PIK interest and common stock issued in exchange for investments.

(3) Represents an illiquid investment.

End of notes to financial statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES**(a) Evaluation of Disclosure Controls and Procedures**

The Company's management, under the direction, supervision, and involvement of the Chief Executive Officer and Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) of the Company. Based on this evaluation, the Chief Executive Officer has concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) and 15d-15(e) under the Exchange Act.

(b) Management's Report on Internal Control Over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the direction, supervision and participation of the Company's management, including our Chief Executive Officer and principal financial officer, the Company's management conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ("COSO-Framework"). Based upon that evaluation, the Company's CEO and CFO have concluded that except for the late filing of prior Form 10-Qs and 10-Ks due to (i) delays experienced in finalizing the accounting for the transaction on March 13, 2015, (ii) the lawsuits disclosed in the Company's public filings, and (iii) the investigation into Mr. Sood, the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules for non-accelerated filers by the Securities and Exchange Commission permitting the company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

No changes to our internal control over financial reporting occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, and is incorporated herein by reference.

Code of Ethics

Our code of ethics, which is signed by directors and executive officers of the Company, requires that directors and executive officers avoid any conflict, or the appearance of a conflict, between an individual's personal interests and the interests of the Company. Pursuant to the code of ethics, ratified and confirmed as of December 6, 2016, which is available on our website under the "Corporate Governance" link under the "Princeton Capital Corporation" link at www.princetoncapitalcorp.com, each director and executive officer must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to the audit committee. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by the board of directors.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. Documents Filed as Part of this Report

The following financial statements are set forth in Item 8:

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Statements of Assets and Liabilities as of December 31, 2018 and December 31, 2017</u>	F-3
<u>Statements of Operations for the years ended December 31, 2018, 2017 and 2016</u>	F-4
<u>Statements of Changes in Net Assets for the years ended December 31, 2018, 2017 and 2016</u>	F-5
<u>Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	F-6
<u>Schedule of Investments as of December 31, 2018</u>	F-7
<u>Schedule of Investments as of December 31, 2017</u>	F-10
<u>Notes to the Financial Statements</u>	F-13

b. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit	Description
2.1	<u>Agreement and Plan of Merger between Regal One Corporation and Princeton Capital Corporation (Incorporated by reference from Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</u>
3.1	<u>Articles of Amendment and Restatement (Incorporated by reference from Exhibit 3.2 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</u>
3.2	<u>Articles of Amendment of Princeton Capital Corporation (Incorporated by reference from Exhibit 3.2 of Registrant's Annual Report on Form 10-K, filed on December 14, 2016).</u>
3.3	<u>Bylaws (Incorporated by reference from Exhibit 3.3 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</u>
3.4	<u>Second Amendment to Bylaws (Incorporated by reference from Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed on February 27, 2018).</u>
4.1	<u>Form of Stock Certificate (Incorporated by reference from Exhibit 4.1 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</u>
10.1	<u>Investment Advisory Agreement between Registrant and Princeton Investment Advisors, LLC (Incorporated by reference from Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</u>
10.2	<u>Custody Agreement between Registrant and U.S. Bank, N.A. (Incorporated by reference from Exhibit 10.2 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</u>
10.3	<u>Administration Agreement between Registrant and PCC Administrator LLC (Incorporated by reference from Exhibit 10.3 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</u>
10.4	<u>Dividend Reinvestment Plan (Incorporated by reference from Exhibit 10.4 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</u>
10.5	<u>License Agreement between the Registrant and Princeton Investment Advisors, LLC (Incorporated by reference from Exhibit 10.5 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</u>
10.6	<u>Form of Indemnification Agreement between the Registrant and the executive officers and directors. (Incorporated by reference from Exhibit 10.6 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</u>
10.7	<u>Investment Advisory Agreement between Registrant and Princeton Advisory Group, Inc. (Incorporated by reference from Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q, filed on July 12, 2017).</u>
10.8	<u>Investment Advisory Agreement between Registrant and House Hanover, LLC (Incorporated by reference from Exhibit 10.1 of Registrant's Current Report on Form 8-K, filed on May 31, 2018).</u>
14.1	<u>Code of Ethics (Incorporated by reference from Exhibit 14.1 of Registrant's Annual Report on Form 10-K, filed on December 14, 2016).</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</u>
32*	<u>Certification of Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u>
99.1*	<u>Audited Financial Statements of Rockfish Seafood Grill, Inc. as of and for the years ended December 26, 2018 and December 27, 2017.</u>
99.2*	<u>Audited Financial Statements of Advantis Certified Staffing Solutions, Inc. as of and for the year ended December 31, 2018.</u>
99.3*	<u>Audited Financial Statements of PCC SBH Sub, Inc. as of and for the years ended December 31, 2018.</u>
99.4*	<u>Audited Financial Statements of Integrated Medical Partners, LLC as of and for the year ended December 31, 2018.</u>
99.5	<u>Audited Financial Statements of Rockfish Seafood Grill, Inc. as of and for the years ended December 27, 2017 and December 28, 2016 (Incorporated by reference from Exhibit 99.1 of Registrant's Annual Report on Form 10-K, filed on November 30, 2018).</u>
99.6	<u>Audited Financial Statements of Advantis Certified Staffing Solutions, Inc. as of and for the year ended December 31, 2017 (Incorporated by reference from Exhibit 99.2 of Registrant's Annual Report on Form 10-K, filed on November 30, 2018).</u>

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Princeton Capital Corporation

By: /s/ Mark S. DiSalvo
Mark S. DiSalvo
Interim Chief Executive Officer

Dated: April 16, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
<u>/s/ Mark S. DiSalvo</u> Mark S. DiSalvo	Interim Chief Executive Officer and Director, (Principal Executive Officer)	April 16, 2019
<u>/s/ Gregory J. Cannella</u> Gregory J. Cannella	Chief Financial Officer (Principal Financial and Accounting Officer)	April 16, 2019
<u>/s/ Darren Stainrod</u> Darren Stainrod	Director	April 16, 2019
<u>/s/ Martin Laidlaw</u> Martin Laidlaw	Director	April 16, 2019
<u>/s/ Greg Bennett</u> Greg Bennett	Director	April 16, 2019

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Mark S. DiSalvo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Princeton Capital Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 16, 2019

/s/ Mark S. DiSalvo
Mark S. DiSalvo
Interim Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Gregory J. Cannella, certify that:

1. I have reviewed this Annual Report on Form 10-K of Princeton Capital Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 16, 2019

/s/ Gregory J. Cannella

Gregory J. Cannella
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, who are the Interim Chief Executive Officer and Chief Financial Officer of Princeton Capital Corporation (the “Company”), each hereby certify that to the best of his knowledge (1) this Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2019

/s/ Mark S. DiSalvo

Mark S. DiSalvo
Interim Chief Executive Officer
(Principal Executive Officer)

Date: April 16, 2019

/s/ Gregory J. Cannella

Gregory J. Cannella
Chief Financial Officer
(Principal Financial and Accounting Officer)

Rockfish Seafood Grill, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 26, 2018 and December 27, 2017



Rockfish Seafood Grill, Inc.
December 26, 2018 and December 27, 2017

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Independent Auditor's Report

Board of Directors
Rockfish Seafood Grill, Inc.
Richardson, Texas

We have audited the accompanying consolidated financial statements of Rockfish Seafood Grill, Inc. and its subsidiaries (Company), which comprise the consolidated balance sheets as of December 26, 2018 and December 27, 2017, and the related consolidated statements of operations, changes in stockholder's deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rockfish Seafood Grill, Inc. and its subsidiaries as of December 26, 2018 and December 27, 2017, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Dallas, Texas
April 1, 2019

Rockfish Seafood Grill, Inc.
Consolidated Balance Sheets
December 26, 2018 and December 27, 2017

	December 26, 2018	December 27, 2017
Assets		
Current Assets		
Cash	\$ 91,613	\$ 5,102
Inventories	123,685	135,115
Prepaid expenses and other current assets	36,233	49,044
	<u>251,531</u>	<u>189,261</u>
Property and Equipment, Net	2,289,355	2,374,933
Other Assets		
Intangibles, net	318,750	408,250
Deposits	88,236	67,888
Other	90,124	56,461
	<u>497,110</u>	<u>532,599</u>
Total other assets	497,110	532,599
Total assets	<u>\$ 3,037,996</u>	<u>\$ 3,096,793</u>
Liabilities and Stockholder's Deficit		
Current Liabilities		
Bank overdraft	\$ -	\$ 14,377
Related party debt	9,204,752	8,577,854
Short term debt	237,172	-
Accounts payable	2,414,502	1,139,485
Accrued expenses	623,599	654,102
Related party accrued interest	1,685,961	1,071,937
Deferred revenue	33,524	36,970
	<u>14,199,510</u>	<u>11,494,725</u>
Total current liabilities	14,199,510	11,494,725
Long-term Liabilities		
Deferred rent	411,559	380,530
	<u>411,559</u>	<u>380,530</u>
Total liabilities	14,611,069	11,875,255
Stockholder's Deficit		
Common stock, \$.001 par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding	1	1
Additional paid-in capital	9,029,237	9,029,237
Accumulated deficit	(20,602,311)	(17,807,700)
	<u>(11,573,073)</u>	<u>(8,778,462)</u>
Total stockholder's deficit	(11,573,073)	(8,778,462)
Total liabilities and stockholder's deficit	<u>\$ 3,037,996</u>	<u>\$ 3,096,793</u>

See Notes to Consolidated Financial Statements

Rockfish Seafood Grill, Inc.
Consolidated Statements of Operations
Years Ended December 26, 2018 and December 27, 2017

	Year Ended December 26, 2018	Year Ended December 27, 2017
Restaurant Revenue	\$ 18,633,746	\$ 18,688,916
Cost of Revenues	<u>5,848,983</u>	<u>5,910,225</u>
Gross profit	12,784,763	12,778,691
Operating Costs and Expenses		
Restaurant expenses	11,778,133	10,985,555
Depreciation and amortization of property and equipment and intangibles	1,095,271	840,115
General and administrative	<u>1,538,045</u>	<u>1,092,926</u>
Total operating costs and expenses	<u>14,411,449</u>	<u>12,918,596</u>
Operating Loss	(1,626,686)	(139,905)
Related Party Interest Expense	1,144,182	954,279
Provision for State Income Taxes	<u>23,743</u>	<u>33,032</u>
Net Loss	<u><u>\$ (2,794,611)</u></u>	<u><u>\$ (1,127,216)</u></u>

See Notes to Consolidated Financial Statements

Rockfish Seafood Grill, Inc.
Consolidated Statements of Changes in Stockholder's Deficit
Years Ended December 26, 2018 and December 27, 2017

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 28, 2016	1,000	\$ 1	\$ 9,029,237	\$ (16,680,484)	\$ (7,651,246)
Net loss	-	-	-	(1,127,216)	(1,127,216)
Balance, December 27, 2017	1,000	1	9,029,237	(17,807,700)	(8,778,462)
Net loss	-	-	-	(2,794,611)	(2,794,611)
Balance, December 26, 2018	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 9,029,237</u>	<u>\$ (20,602,311)</u>	<u>\$ (11,573,073)</u>

See Notes to Consolidated Financial Statements

Rockfish Seafood Grill, Inc.

Consolidated Statements of Cash Flows
Years Ended December 26, 2018 and December 27, 2017

	Year Ended December 26, 2018	Year Ended December 27, 2017
Operating Activities		
Net loss	\$ (2,794,611)	\$ (1,127,216)
Items not requiring cash		
Depreciation and amortization of property and equipment and intangibles	1,095,271	840,115
Paid in kind interest on related party debt	426,898	410,820
Changes in		
Inventories	11,430	(5,798)
Prepaid expenses and other current assets	12,811	(19,388)
Deposits	(20,348)	(3,473)
Other assets	(33,663)	36,039
Accounts payable	1,275,017	(715,965)
Accrued expenses	(30,503)	250,240
Deferred revenue	(3,446)	6,283
Deferred rent	31,029	(130,020)
Related party accrued interest	614,024	543,459
Net cash provided by operating activities	<u>583,909</u>	<u>85,096</u>
Investing Activities		
Purchase of property and equipment	<u>(920,193)</u>	<u>(53,703)</u>
Net cash used in investing activities	<u>(920,193)</u>	<u>(53,703)</u>
Financing Activities		
Bank overdraft	(14,377)	(190,932)
Proceeds from issuance of related party debt	200,000	140,000
Proceeds from issuance of short term debt	262,250	-
Principal payments on short term debt	<u>(25,078)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>422,795</u>	<u>(50,932)</u>
Increase (Decrease) in Cash	<u>86,511</u>	<u>(19,539)</u>
Cash, Beginning of Year	<u>5,102</u>	<u>24,641</u>
Cash, End of Year	<u><u>\$ 91,613</u></u>	<u><u>\$ 5,102</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 103,918	\$ -
State income taxes paid	\$ 33,000	\$ 23,894

See Notes to Consolidated Financial Statements

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Rockfish Seafood Grill, Inc. is a Delaware Corporation formed on June 18, 2008, for the purpose of acquiring the net assets of Rockfish Seafood Grill, LLC on July 28, 2008. Rockfish Seafood Grill, Inc. owns 100% of two subsidiaries, Rockfish Beverage Corporation, Inc. and Rockfish Franchise Company, LLC (collectively, the Company). The Company currently operates 11 restaurants in Texas under the name Rockfish Seafood Grill. Rockfish Seafood Grill, Inc. is 100% owned by Rockfish Holdings, LLC (Parent). Rockfish Seafood Grill, Inc. owns 100% of two subsidiaries, Rockfish Beverage Corporation, Inc. and Rockfish Franchise Company, LLC (collectively, the Company).

The consolidated financial statements include the accounts of Rockfish Seafood Grill, Inc. and its 100% owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to the assessment of recoverability of property and equipment and intangible assets.

Fiscal Year

The Company reports on a 52/53 week period. The years ended December 26, 2018 and December 27, 2017, both consisted of 52 weeks.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less and credit card clearing accounts to be cash equivalents.

Inventory

Inventories consist of food, beverages and alcohol, and are stated at the lower of cost using the first-in, first-out method or net realizable value.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the expected lease term or their respective estimated useful lives. The estimated lease term is based on the likely period of the leasing arrangement including renewal periods.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	10–15 years
Restaurant equipment	5–10 years
Furniture, fixtures and computer equipment	3–7 years

Intangible Assets

Effective June 28, 2012, the beginning of fiscal 2013, the Company began amortizing the tradename and recipes on a straight-line basis over their respective estimated remaining useful lives. The Company assigned a 10-year life for the tradename and a five-year life for the recipes. For the years ended December 26, 2018 and December 27, 2017, management determined that no impairment indicators existed with respect to intangible assets.

Long-Lived Assets Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. The Company does not perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

There were no impairment indicators during the years ended December 26, 2018 and December 27, 2017, and no impairment charge was recorded.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Deferred Rent

Certain of the Company's operating leases contain predetermined fixed increases of the minimum rental rate during the lease term. For these leases, the Company recognizes rent expense on a straight-line basis over the minimum lease term plus expected renewals and records the difference between the amounts charged to expense and the rent paid as deferred rent. Any lease incentives or allowances are recorded as deferred rent and amortized on a straight-line basis over the expected life of the lease as a reduction in rent expense.

Revenue Recognition

Revenue from the sale of food, beverage and alcohol is recognized as the products are sold. Proceeds from the sale of gift cards are recorded as deferred revenue and recorded into revenue as redeemed. The Company also records into revenue an estimate of gift cards that are not expected to be redeemed based on historical redemption patterns. Promotions and comps, totaling approximately \$951,000 and \$944,500 for the years ended December 26, 2018 and December 27, 2017, respectively, are recorded as a reduction to revenues.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of operations on a net basis and accordingly, are not included in revenues.

Advertising

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 26, 2018 and December 27, 2017, totaled approximately \$140,000 and \$137,000, respectively, and is included in restaurant expenses in the accompanying consolidated statements of operations.

Pre-opening Expenses

Salaries, personnel training costs and other expenses of opening new restaurants are charged to expense as incurred.

Recent Accounting Pronouncements

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. The Company is evaluating the impact the standard will have on the consolidated financial statements.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 2: Liquidity Matters and Management's Plans

The Company incurred a net loss of approximately \$2,795,000 during the year ended December 26, 2018. At December 26, 2018, the Company had a working capital deficiency of approximately including \$13,948,000 related party debt.

In March 2015, the Company restated its related party notes to increase the face value of the note to \$6,517,686, to remove the financial covenants under the agreement and to extend the maturity date of the note to March 31, 2018. In June 2015, the Company restated its related party note with Princeton Capital Corporation (Princeton), the majority owner of Rockfish Holdings, LLC, to reduce the face value of the note to \$5,950,000 and amend the interest rate to be 14% payable quarterly with the ability of the Company to pay in kind up to 6% of the interest payments. The note is due currently.

Additionally, in June 2015, the Company also entered into a revolving promissory note with Princeton in the amount of \$1,250,000. The revolving promissory note has been amended to bring the maximum balance to \$1,491,000 at December 28, 2016, and increased to \$1,621,000 at December 27, 2017, and \$1,821,000 at December 26, 2018. The note bears interest at 8% and matured June 29, 2017, and was extended to December 31, 2018. Effective December 31, 2018, Princeton extended the maturity date to December 31, 2019, and increased the maximum balance to \$1,921,000.

During the year ended December 27, 2017, the Company failed to pay required interest payments on both its notes with Princeton, and in the year ended December 26, 2018, the Company paid interest on the revolving promissory note only.

To address operating performance among other steps, management has added food delivery services partnering with several providers, as well as continuing to look for reductions in operating costs which are expected to further impact the year ended 2019 positively. The Company's ability to service its debt and other obligations as they come due is dependent on continuing to improve its performance, the continued willingness of its majority owner, Princeton, to not require repayments of debt or accrued interest and the continued financial support to provide the necessary funding to support operating cash flow needs. The Company received a written commitment from Princeton to fund operating cash flow needs through March 2020.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 3: Property and Equipment

Property and equipment consists of the following:

	December 26, 2018	December 27, 2017
Leasehold improvements	\$ 6,633,169	\$ 5,968,155
Furniture, fixtures and computer equipment	848,001	663,274
Restaurant equipment	1,635,400	1,564,948
	<u>9,116,570</u>	<u>8,196,377</u>
Less accumulated depreciation and amortization	<u>(6,827,215)</u>	<u>(5,821,444)</u>
Property and equipment, net	<u>\$ 2,289,355</u>	<u>\$ 2,374,933</u>

Depreciation and amortization expense of property and equipment for the years ended December 26, 2018 and December 27, 2017, totaled \$1,005,771 and \$722,114, respectively.

Note 4: Intangible Assets

The carrying basis and accumulated amortization of recognized intangible assets were as follows:

	December 26, 2018		
	Gross	Accumulated Amortization	Net
December 26, 2018			
Amortized intangible asset Tradename	\$ 895,000	\$ (576,250)	\$ 318,750
December 27, 2017			
Amortized intangible assets Tradename	\$ 895,000	\$ (486,750)	\$ 408,250
Recipes	295,000	(295,000)	-
Intangible assets	<u>\$ 1,190,000</u>	<u>\$ (781,750)</u>	<u>\$ 408,250</u>

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Amortization expense for the years ended December 26, 2018 and December 27, 2017, was \$89,500 and \$118,000, respectively.

Estimated future amortization of intangible assets are as follows for the years ending after December 26, 2018:

2019	\$ 89,500
2020	89,500
2021	89,500
2022	50,250
	<u>\$ 318,750</u>

Note 5: Related Party Debt and Accrued Interest

In June 2015, the Company restated its related party note with Princeton to reduce the face value of the note to \$5,950,000 and amend the interest rate to be 14% payable quarterly with the ability of the Company to pay in kind up to 6% of the interest payments (see *Note 2*).

Additionally, in June 2015, the Company also entered into a revolving promissory note with Princeton in the amount of \$1,250,000. The revolving promissory note has been amended to bring the maximum balance to \$1,491,000 at December 28, 2016, and increased to \$1,621,000 at December 27, 2017, and \$1,821,000 at December 26, 2018. The note bears interest at 8% and matured December 31, 2018. During 2018, Princeton extended the maturity date to December 31, 2019.

At December 26, 2018, the remaining outstanding debt with Princeton consists of a \$5,950,000 senior secured promissory note plus accrued paid in kind interest of \$1,433,752 added into this note balance that matured March 31, 2018, and has not been extended; and a senior revolving note with a balance of \$1,821,000 that matures December 31, 2019.

During the year ended December 27, 2017, the Company failed to pay required interest payments, and both notes. During the year ended December 26, 2018, the Company paid interest on the revolving promissory note only. As a result, both promissory notes are due currently and are classified as currently due in the accompanying December 26, 2018 and December 27, 2017, consolidated balance sheets. The amount due for interest not paid in kind totaled \$1,685,961 and \$1,071,937 at December 26, 2018 and December 27, 2017, respectively.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 6: Short Term Debt

In 2018, the Company secured an unsecured loan with American Express Merchant Financing (American Express) for \$250,000 in principal with a flat loan fee of 4.9%, equaling \$12,500, for a total repayment of \$262,500. This short term loan expires on October 24, 2019. The loan does not bear additional interest. At December 26, 2018, the remaining outstanding debt was \$237,172. The loan is repaid via a daily deduction of 1% of the total daily credit card payments received from restaurant patrons as the payments are processed. American Express can increase the percentage of payment up to a maximum of 3% of daily credit card payments processed.

Note 7: Stock Options

The Company issued stock options to executive members of management during the year ended June 26, 2013. The stock options vest over a period of 10 years and expire if unexercised after 10 years. The options have accelerated vesting provisions if certain financial performance measures are met or a change of control event occurs. At December 26, 2018 and December 27, 2017, there were 194.8052 options outstanding, all of which had vested. The value of these options at the grant date was determined to be insignificant.

Note 8: Operating Leases

The Company leases restaurant facilities and office space under operating leases having terms expiring at various dates through 2028 with renewal options through 2033. Generally, the restaurant leases have renewal clauses to extend the terms of the various leases for periods ranging from five to 20 years at the option of the Company. Certain restaurant leases contain provisions for contingent rent based upon a percentage of gross sales, as defined in the lease agreements. Rent expense for the years ended December 26, 2018 and December 27, 2017, was approximately \$1,440,000 and \$1,228,000, respectively. No contingent rental amounts were incurred during the years ended December 26, 2018 and December 27, 2017.

Future minimum lease payments at December 26, 2018, were as follows:

2019	\$ 1,500,743
2020	1,526,237
2021	1,489,768
2022	1,158,130
2022	710,574
2023	2,119,812
Thereafter	<u>\$ 8,505,264</u>

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 9: Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and two state jurisdictions. Deferred taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The temporary differences that give rise to the Company's deferred tax assets and liabilities at December 26, 2018 and December 26, 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Deferred tax assets		
Accrued expenses	\$ 9,800	\$ 21,500
Deferred rent	86,400	79,900
Other	3,700	3,100
Property and equipment	259,000	172,900
Related party interest	655,100	436,700
Intangibles	228,300	276,100
Net operating loss carryforward	<u>2,251,500</u>	<u>1,888,900</u>
Net deferred tax before valuation allowance	3,493,800	2,879,100
Valuation allowance	<u>(3,493,800)</u>	<u>(2,879,100)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Differences between statutory income tax rates and the Company's effective income tax rate for the years ended December 26, 2018 and December 27, 2017, were primarily caused by the increase in the valuation allowance, which at December 26, 2018 and December 27, 2017, totaled approximately \$3,494,000 and \$2,879,000, respectively, amounts not deductible for income tax purposes and other adjustments. The valuation allowance decreased by approximately \$1,416,000 from December 28, 2016 to December 27, 2017, and increased by approximately \$615,000 from December 27, 2017 to December 26, 2018.

On December 22, 2017, the United States enacted tax reform legislation through the *Tax Cuts and Jobs Act*, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of enactment of the legislation, the Company's net deferred tax assets and valuations were reduced by approximately \$1,782,000 for the year ending December 27, 2017.

The Company has a federal net operating loss carryforward of approximately \$10,722,000 at December 26, 2018, that begins to expire in 2029. The net operating loss carryforward may be limited because of ownership changes as defined in Section 382 of the Internal Revenue Code.

Rockfish Seafood Grill, Inc.
Notes to Consolidated Financial Statements
December 26, 2018 and December 27, 2017

Note 10: Accrued Expenses

Accrued expenses consist of the following:

	December 26, 2018	December 27, 2017
Payroll and payroll related	\$ 323,302	\$ 392,550
Property taxes	-	74,411
Sales and use taxes	105,219	118,902
Other	195,078	68,239
Total	<u>\$ 623,599</u>	<u>\$ 654,102</u>

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following.

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Vendor Concentrations

Purchases from two vendors represented approximately 77% and 78% of the Company's cost of revenues for the years ended December 26, 2018 and December 27, 2017, respectively.

Note 12: Subsequent Events

Subsequent events have been evaluated through April 1, 2019, which is the date the consolidated financial statements were available to be issued.



ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Advantis Certified Staffing Solutions, Inc.
Houston, Texas

We have audited the accompanying consolidated financial statements of Advantis Certified Staffing Solutions, Inc. which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, stockholder's deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advantis Certified Staffing Solutions, Inc. as of December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the entity has experienced recurring losses from operations and has a net working capital deficiency which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

March 25, 2019
Houston, Texas

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

ASSETS	
Current assets:	
Cash	\$ 186,657
Trade accounts receivable, net	2,872,847
Accrued receivables	43,421
Prepaid expenses and other currents assets	51,363
Total current assets	3,154,288
Goodwill, net	1,606,274
TOTAL ASSETS	\$ 4,760,562
LIABILITIES AND STOCKHOLDER'S DEFICIT	
Current liabilities:	
Accounts payable and accrued expenses	\$ 509,183
Accrued interest	768,451
Federal payroll taxes, penalties and interest	2,675,892
State payroll taxes, penalties and interest	109,549
Advance facility	2,264,307
Current portion of related party notes payable	1,338,225
Notes payable	2,082,773
Total current liabilities	9,748,380
Long-term portion of related party notes payable	4,500,000
Total liabilities	14,248,380
Stockholder's deficit:	
Series A common stock - par value \$.01 per share; 90,000,000 shares authorized; 750,000 shares issued and outstanding	7,500
Series B common stock - par value \$.01 per share; 10,000,000 shares authorized; 9,500,000 shares issued and outstanding	95,000
Additional paid-in capital	16,193,712
Retained deficit	(25,784,030)
Total stockholder's deficit	(9,487,818)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	\$ 4,760,562

The accompanying notes are an integral part of these consolidated financial statements.

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Sales	\$ 17,309,927
Payroll and other direct operating expenses	<u>12,440,365</u>
Gross profit	4,869,562
Selling, general, and administrative expenses	<u>5,228,499</u>
Total operating loss	(358,937)
Other expenses:	
Interest expense	793,315
Other expense, net	<u>41,441</u>
Total other expenses	834,756
Loss before income tax expense	(1,193,693)
Income tax benefit	<u>(5,879)</u>
NET LOSS	<u>\$ (1,187,814)</u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDER'S DEFICIT
YEARS ENDED DECEMBER 31, 2018

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance at December 31, 2017	\$ 102,500	\$ 16,193,712	\$ (24,596,216)	\$ (8,300,004)
Net loss	-	-	(1,187,814)	(1,187,814)
Balance at December 31, 2018	<u>\$ 102,500</u>	<u>\$ 16,193,712</u>	<u>\$ (25,784,030)</u>	<u>\$ (9,487,818)</u>

The accompanying notes are an integral part of these consolidated financial statements.

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:

Net loss	\$ (1,187,814)
Adjustment to reconcile net loss to net cash from operating activities:	
Bad debt expense	291,209
Amortization of goodwill	289,151
Changes in:	
Accounts receivable	(809,198)
Accrued receivables	380,598
Prepaid expenses and other current assets	93,901
Accounts payable and accrued expenses	(139,029)
Accrued interest	359,601
State payroll taxes, penalties, and interest	(5,244)
Net cash from operating activities	<u>(726,825)</u>

Cash flows from financing activities:

Repayments on notes payable	(73,515)
Advance facility, net	349,286
Proceeds from related party notes payable	<u>525,000</u>
Net cash from financing activities	<u>800,771</u>

Net increase in cash 73,946

Cash, beginning of year 112,711

CASH, END OF YEAR **\$ 186,657**

Non-cash activity:

Insurance premiums financed	\$ 90,681
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Supplemental cash flow information:

Cash paid for interest	\$ 433,714
Income tax refunds	\$ 635

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

Advantis Certified Staffing Solutions, Inc. is organized in the state of Texas. Advantis Managed Solutions, LLC, Advantis Occupational Health, LLC, and Advantis Certified Companies, LLC are wholly owned subsidiaries of Advantis Certified Staffing Solutions, Inc. Advantis Certified Staffing Solutions and subsidiaries (collectively, the “Company”) provide temporary and permanent employment placement solutions in light industrial, clerical/administrative, construction, healthcare, and professional services. The Company has locations in Texas and Michigan.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accounting principles followed and the methods of applying those principles which materially affect the determination of financial position, results of operations, and cash flows are summarized below.

Liquidity and Capital Resources – These financial statements have been prepared in accordance with GAAP applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for twelve months from the date of these financial statements. The Company incurred a net loss of \$1,187,814 for the year ended December 31, 2018 and has a net working capital deficit of \$6,594,092. If the Company’s liquidity needs are not satisfied, it may need to procure funding through additional equity or debt issuances to meet its operational obligations as they become due. There can be no assurance as to the availability or terms upon which such financing and capital might be available. In the absence of cash flow from operations or additional financing or capital, there can be no assurances that the Company will be able to satisfy operational obligations as they come due without restructuring of existing equity and debt arrangements, or externally forced revisions of its operations, or similar action.

Basis of Presentation – The consolidated financial statements include the accounts of Advantis Certified Staffing Solutions, Inc., Advantis Managed Solutions, LLC, Advantis Occupational Health, LLC, and Advantis Certified Companies, LLC. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

Trade Accounts Receivable – Accounts receivables are stated net of an allowance for doubtful accounts. The Company provides allowances which management believes are adequate to absorb losses to be incurred in realizing the amounts of trade accounts receivable recorded in the accompanying consolidated financial statements. Accounts are periodically assessed for collectability, and a provision for uncollectible accounts is charged to earnings. Accounts deemed uncollectible are applied against the allowance for doubtful accounts. The allowance for doubtful accounts as of December 31, 2018 is \$792,759. For the year ended December 31, 2018, the Company incurred bad debt expense of \$291,209.

Goodwill – The fair value of goodwill is assessed for impairment at least annually. The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50% likelihood) that the fair value of a reporting unit is less than its carrying amount. Those qualitative factors include the following: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and other relevant, entity-specific events. If, after performing this qualitative assessment, the Company determines that an impairment is more likely than not, the Company then performs a quantitative impairment test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

In performing a quantitative impairment test, the Company compares the fair value to the carrying amount, including goodwill. The fair value is estimated using a combination of the income or discounted cash flows approach, and the market approach, which utilizes comparable companies' data. If the carrying amount exceeds its fair value, then the amount of impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value to its carrying amount. In calculating the implied fair value, the fair value is allocated to all of the other assets and liabilities based on their fair values. The excess of the fair value over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized when the carrying amount of goodwill exceeds its implied fair value. The Company determined that there was no impairment for goodwill based on its qualitative assessment at December 31, 2018. The Company amortizes goodwill over ten years.

Income Tax – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts for existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits will not be realized.

Authoritative guidance for accounting for uncertainty in income taxes requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an examination. Management has reviewed the Company's tax positions and determined there were no uncertain tax positions requiring recognition in the consolidated financial statements. Generally, the applicable statutes of limitations are three to four years from their filings. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision.

The Company has amounts owed for delinquent federal and state payroll taxes. As of December 31, 2018, these were \$2,785,441. Included in aforementioned amount are penalties of \$714,805 and interest of \$783,372. As of the date of the financial statements, none of the agreements are finalized and therefore all amounts are stated as current liabilities in these consolidated financial statements.

Revenue Recognition – Revenues from placement of temporary personnel services are included in income as such services are rendered. Also, revenue is recognized subsequent to hiring of employees directly by customers. Accrued receivables are for service hours rendered that had not been billed to customers. Accrued receivables as of December 31, 2018 is \$43,421.

Advertising – The Company expenses all advertising costs as incurred. Advertising costs included within selling, general, and administrative expenses were approximately \$112,588 for the year ended December 31, 2018.

Concentration of Risk – For the year ended December 31, 2018, one customer accounted for approximately 59% revenue. As of December 31, 2018, one customer accounted for approximately 80% of the accounts receivable balance.

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – continued

This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The guidance eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities. Instead, under this guidance, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual and interim periods beginning after December 15, 2021. Early adoption is permitted for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company believes that the impact of the implementation of this new guidance on its consolidated financial statements and disclosures will not be significant.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to record most leases on their balance sheet, while expense recognition on the statement of operations remains similar to current lease accounting guidance. The guidance also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. The pronouncement is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the effect of the adoption of this guidance on the consolidated financial statements.

Other recent accounting pronouncements issued by the FASB or other authoritative standards groups with future effective dates are either not applicable or are not expected to be significant to the consolidated financial statements of the Company.

Subsequent Events – The Company's management has evaluated subsequent events and transactions through March 25, 2019, the date these consolidated financial statements were available to be issued.

NOTE 3 – GOODWILL

Goodwill and intangible assets are summarized as follows as of December 31, 2018:

Goodwill	\$ 3,019,218
Less: accumulated amortization	(1,412,944)
	<u>\$ 1,606,274</u>

Amortization expense for goodwill for the year ended December 31, 2018 was \$289,151.

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – GOODWILL – continued

Amortization expense for goodwill in each of the next five years and thereafter is expected to be as follows:

Year Ending December 31,		
2019	\$	289,151
2020		289,151
2021		289,151
2022		289,151
2023		289,151
2024 and thereafter		160,519
	\$	<u>1,606,274</u>

NOTE 4 – ADVANCE FACILITY

The Company's has an arrangement with a lending institution that includes an accounts receivable advance facility. Through this arrangement, the Company receives an advance of 85% of accounts receivable delivered for advance. The arrangement makes the advance on invoiced amounts, less a funding fee of Prime plus 2.50%, with a floor of 5.75%. In addition, the arrangement has a fee of 0.70% for the first 30 days that an account is unpaid, with an additional 0.12% fee every 5 days thereafter that the account remains unpaid. The facility limit is \$5,000,000 of which \$2,264,307 was outstanding at December 31, 2018. For the year ended December 31, 2018, \$337,094 was charged as interest and fees on this facility.

NOTE 5 – NOTES PAYABLE

Notes Payable to Related Parties – The Company has an amended note with a related party that has a principal amount of \$4,500,000 and carries interest at the rate of 6.0% per annum. All outstanding and accrued interest is due upon maturity on November 30, 2021. The Company has not made any principal or interest payments on this note as of December 31, 2018. Accrued interest on this note as of December 31, 2018 is \$547,320.

As of December 31, 2018, the Company has multiple bridge loan notes from the same related party as the note mentioned above. The balances outstanding on these five bridge loans as of December 31, 2018 is \$1,338,225. All outstanding and accrued interest on these notes were due upon maturity on December 31, 2018. The Company is currently in negotiation with the related party to extend the maturity date of these notes. The notes carry interest ranging from 5% to 10.75% per annum.

Notes Payable to Third Parties – The Company has a note payable to a former shareholder for an original principal amount of \$1,300,000. The note carries interest at the rate of 8% per annum. The note requires quarterly principal amounts of \$108,333 commencing March 31, 2017. If the Company fails to make these quarterly payments, the amount missed will be subject to an additional 2% interest per annum. The Company has not made these principal payments. Accrued interest on this note as of December 31, 2018 is \$221,131. All accrued interest and principal is due upon maturity on October 8, 2019.

The Company has notes payable to various third parties totaling \$765,607, bearing interest ranging from 4.75% to 10% per annum. These notes matured prior to 2018 and thus are classified as current debt on the balance sheet. The Company is currently not accruing interest on these notes.

All debt is secured by all assets of the Company.

ADVANTIS CERTIFIED STAFFING SOLUTIONS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – NOTES PAYABLE – continued

The Company has financed its insurance premiums. The original principal balance of this note is \$90,681 and carries interest at the rate of 8.15% per annum. The note requires eleven monthly interest and principal payments of \$8,583 and matures March 31, 2019. Balance outstanding on the financing agreement at December 31, 2018 is \$17,166.

Future maturities of debt are as follows:

Years Ending December 31,	
2019	\$ 3,420,998
2020	-
2021	4,500,000
	<u>\$ 7,920,998</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases – The Company has obligations under several non-cancelable operating leases for office space and equipment that expires at various times through 2023. Some of these leases include extension clauses. At December 31, 2018, minimum rental commitments under non-cancelable operating leases were as follows:

Years Ending December 31,	
2019	\$ 213,501
2020	229,190
2021	201,559
2022	154,417
2023	46,555
	<u>\$ 845,222</u>

Rental and lease expenses were \$298,068 for the year ended December 31, 2018.

NOTE 7 – RELATED PARTY TRANSACTIONS

See Note 5 for all related party transactions.

NOTE 8 – INCOME TAXES

Deferred income tax assets and liabilities for the Company are computed for temporary differences between the financial statement basis and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the periods in which the differences are expected to be realized. Income tax expenses are the taxes payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – INCOME TAXES – continued

Income taxes consists of the following for the year ended December 31, 2018:

Current:	
Federal expense	\$ -
State benefit	(5,879)
	<u>(5,879)</u>
Deferred:	
Federal expense	62,521
State benefit	(62,521)
	<u>-</u>
Total income tax benefit	<u>\$ (5,879)</u>

The Company has a net deferred tax asset of \$4,604,160 as of December 31, 2018, which is comprised of the following significant temporary differences: a) fixed asset differences due to accelerated depreciation methods for tax purposes, b) allowance for doubtful accounts, c) intangible assets differences between book basis and tax basis, d) charitable contributions, e) accrued liabilities, and f) net operating losses carryforward. The Company has recorded a full valuation allowance against the net deferred tax asset. The net operating loss carryforwards begin to expire in 2018 and 2027 for state and federal taxes, respectively.

The significant items causing the effective tax rate of (0.49%) for the year ended December 31, 2018, to be lower than the enacted statutory federal income tax rate of 21% are: a) non-deductible expenses, b) state income taxes, and c) valuation allowance.

NOTE 9 – EMPLOYEE BENEFIT PLAN

Until May 2018, the Company sponsored a 401(k) retirement plan which covered all employees meeting certain eligibility requirements. The Company had the option to make discretionary matching and profit sharing contributions. No discretionary employer match or profit sharing contributions were made for the period from January 1, 2018 until the Plan was terminated in May 2018.

NOTE 10 – CAPITAL STOCK

At December 31, 2018, the Company had common stock reserved for exercise of stock warrants in the amount of \$300,000. The stock warrants provide for 250,000 shares of series A shares to be purchased at par value. In addition, warrants provide the holder with series A shares equal to 5% of the total number of fully diluted shares at the time of exercise. At December 31, 2018, this would have represented 50,000 shares of series A stock. These warrants all expire in January 2027. The Company has not recognized any discount for these warrants as the warrants are deemed to have no value.

NOTE 11 – SUBSEQUENT EVENTS

On March 19, 2019, the bridge loans mentioned in Note 5 were amended to extend the maturity date to December 31, 2019. All accrued interest and principal are due upon maturity.

* * * * *

**PCC SBH SUB, INC.
FINANCIAL STATEMENTS**

DECEMBER 31, 2018
(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.™

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CPAs AND ADVISORS

PCC SBH SUB, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of PCC SBH SUB, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of PCC SBH SUB, Inc, which comprise the balance sheet as of December 31, 2018, and the related statements of operations, stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements


Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of PCC SBH SUB, Inc as of December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Houston, Texas
March 29, 2019

PCC SBH SUB, INC.

BALANCE SHEET
DECEMBER 31, 2018

<u>Assets</u>	
Current assets:	
Cash	\$ 5,412
Accounts receivable	1,790
Prepaid expense and other assets	7,880
Loans receivable, net of allowance (note 4)	<u>691,256</u>
Total current assets	706,338
Property and equipment, net (note 3)	<u>1,901,082</u>
Total assets	<u>\$ 2,607,420</u>
<u>Liabilities and Stockholders' Equity</u>	
Current liabilities:	
Accounts payable	\$ 118,168
Notes payable (note 5)	14,000
Accrued liabilities:	
Accrued expenses	<u>71,260</u>
Total current liabilities	203,428
Stockholders' equity:	
Capital stock (\$0.01 par value, 100 shares authorized, 100 shares issued and outstanding)	1
Additional paid in capital	2,525,480
Retained earnings (deficit)	<u>(121,489)</u>
Total stockholders' equity	<u>2,403,992</u>
Total liabilities and stockholders' equity	<u>\$ 2,607,420</u>

See accompanying notes to financial statements.

PCC SBH SUB, INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Rental income	\$ 225,679
Operating expenses:	
Property management fees	11,500
Leasing commissions	4,066
Real estate taxes	43,244
Insurance	15,988
Utilities	50,139
Professional fees	54,187
Repairs and maintenance	24,800
Depreciation	50,572
Other operational expenses	7,587
Total Operating Expenses	262,083
Loss from operations	(36,404)
Other income (expense):	
Interest expense	(2,056)
Net loss	\$ (38,460)

See accompanying notes to financial statements.

PCC SBH SUB, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Common Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Total
Beginning Balance	\$ 1	\$ 2,525,480	\$ (83,029)	\$ 2,442,452
Net loss	-	-	(38,460)	(38,460)
Ending Balance	<u>\$ 1</u>	<u>\$ 2,525,480</u>	<u>\$ (121,489)</u>	<u>\$ 2,403,992</u>

See accompanying notes to financial statements.

PPC SBH SUB, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Net loss	\$ (38,460)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	50,572
Change in operating assets and liabilities:	
Accounts receivable	9,939
Prepaid expenses and other assets	(123)
Accounts payable	(15,098)
Accrued liabilities	(17,440)
Deferred revenue	(21,428)
Net cash used in operating activities	(32,038)
Cash flows from investing activities:	
Acquisition of property	(45,225)
Net decrease in cash	(77,263)
Cash and cash equivalents, beginning of year	82,675
Cash and cash equivalents, end of year	\$ 5,412
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 2,083
Schedule of noncash transactions:	
Property acquired in exchange for note receivable	\$ 434,225

See accompanying notes to financial statements.

PCC SBH SUB, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 - Organization

PCC SBH SUB, Inc. (the "Company") was incorporated in the state of Delaware on February 6, 2017. The principal business of the Company is in holding and renting out several real estate properties located in Texas, all of which were acquired via foreclosure on an initial assigned loan from its parent company Princeton Capital Corporation.

Princeton Capital Corporation is a publicly traded business development company that provides debt financing to lower, middle-market companies located throughout the U.S. PCC SBH SUB, Inc. is a wholly owned subsidiary of Princeton Capital Corporation.

PCC SBH SUB, Inc. provides housing to oilfield workers in the Eagle Ford Shale area of Texas. Specifically, in Karnes City, TX. The Company is thus vulnerable to the fluctuation in the price of oil and the resulting effect on the regional economy. As of December 31, 2018, one customer accounted for 94% of the Company's total revenue.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in the understanding of the financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements of the Company have been prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America.

Revenue Recognition

The Company records earned revenues on the accrual basis. Revenues are earned when the Company leases the buildings and rents are earned. Deferred revenue represents rents received in advance and therefore have not yet been earned.

Property and Equipment

Land is carried at cost. Property and equipment, including improvements which extend the life of existing properties, are capitalized at cost and depreciated using the straight-line method over estimated useful lives for financial reporting purposes

Accounts Receivable

Accounts receivable are carried at customer invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. Accounts receivable deemed uncollectible are written-off in the period that the determination is made. As of December 31, 2018, there were no customer receivable accounts deemed uncollectable.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income taxes under the provisions of accounting principles generally accepted in the United State of America, which requires the use of the asset and liability approach for financial accounting and reporting of income taxes.

The Company files income tax returns in applicable state jurisdictions. As such, the Company evaluates tax positions in accordance with the applicable accounting guidance on uncertainty in income taxes. This evaluation includes consideration of expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loans and Allowance for Loan Losses

Loans are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan fees and unearned discounts.

Unearned discounts on installment loans are recognized as income over the term of the loans using a method that approximates the interest method.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

PCC SBH SUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Loans and Allowance for Loan Losses (Continued)

Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. The Company incurred loan loss expense of \$0 for the year ended December 31, 2018.

Note 3 - Property and Equipment, net

Property and equipment are comprised of the following at December 31, 2018:

Land, single family and manufactured homes	\$ 1,702,974
Vacant land	288,388
Total property and equipment	1,991,362
Less: accumulated depreciation	(90,280)
Total property and equipment, net	<u>\$ 1,901,082</u>

Depreciation expense for the year ended December 31, 2018 was \$50,572.

Note 4 - Loans Receivable, Net of Allowance

The components of loans receivable at December 31, 2018 are as follows:

Commercial loan to South Boots Hill, LLC	\$ 585,212
Foreclosed note receivables held in recovery of default	200,000
Total loans	785,212
Less: allowance for loan losses	(93,956)
Total loan receivable, net of allowance	<u>\$ 691,256</u>

PCC SBH SUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 - Loans Receivable, Net of Allowance (Continued)

As of December 31, 2018, the Company has outstanding impaired loans totaling \$785,212. The corresponding valuation allowance on these impaired loans totaled \$93,956 as of December 31, 2018. During the year ended December 31, 2018 the Company received property valued at \$434,225 as payment on these notes. No interest income was recognized on impaired loans while such loans were considered impaired during the year ended December 31, 2018. These loans are noninterest bearing, unsecured and have no specific repayment terms.

These notes are related to an initial assigned note of \$2,525,481 from Princeton Capital Corporation in February 2017, which were foreclosed on after the default of the original borrower, South Boots Hill, LLC. The Company has filed legal complaints to recover the outstanding loans. Approximately, \$1,950,000 of the original loan has been recovered as foreclosed real estate, held as rental properties and listed as property and equipment, net.

Note 5 - Related Party Notes and Accounts Payable

The Company has the following related party notes payable at December 31, 2018:

	<u>Amount</u>
PCC SBH SUB, INC. received \$20,000 from Princeton Capital Corporation to pay corporation's initial expenses. Interest on unpaid principal amount is due quarterly at a rate of 12% per annum. The note payable is unsecured and was due in February 2018. The loan was extended post year end (refer to Subsequent events note)	\$ 14,000
Less: current portion	<u>(14,000)</u>
Total notes payable, net of current portion	<u>\$ -</u>

In addition, there are \$118,168 of amounts due to this related party related to legal expenses paid on the Company's behalf that are included in accounts payable at December 31, 2018.

Note 6 - Rental Income

The Company holds certain properties for rent in operations. These properties are leased to tenants under operating leases expiring at various dates through December 2018. Rental income earned on these leases during the period ended December 31, 2018 amounted to approximately \$225,679. The Company had leases with two major customers that represented 100% of the revenue. The following is a schedule of future minimum rental receipts under noncancellable lease contracts as of December 31, 2018:

2019	\$ 254,268
2020	<u>11,035</u>

PCC SBH SUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 - Income Taxes

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2018 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties at December 31, 2018. The Company's utilization of any net operating loss carryforward may be unlikely as a result of its intended development stage activities. The Company's current tax expense is zero as of December 31, 2018.

Note 8 - Litigation

In May 2017, the Company presented a legal complaint to South Boots Hill, LLC, and its principal owner Mark Smith, along with several related parties including Aqualand Development, LLC, Karnes Logistics, LLC., and South Boots Hill II, LLC (all together the "SBH Parties"). The legal document seeks to recover principal and amounts in default from an original \$2.5 million secured debt agreement between Princeton Capital Corporation and South Boots Hill, LLC.

The legal complaint filed by the Company reached an amended settlement agreement in May 2018. This settlement agreement transferred the remaining land that South Boots Hill, LLC owned to PCC SBH SUB, Inc., plus allowed for a cash payment of \$200,000 to be paid to satisfy the remaining liabilities. In July 2018, the settlement agreement was amended to allow additional time for South Boots Hill, LLC to make its cash payment and increased this payment to \$250,000. In December 2018, the settlement agreement was amended again to allow additional time for South Boots Hill, LLC to make its cash payment and increased this payment to \$260,000. As of the date of this report, the cash payment was not received, and the amended settlement agreement was in default. In February 2019, the Company filed and received judgement against the SBH Parties for a total amount of \$986,116. To date, management has recovered property satisfying all amounts except \$491,256 due from South Boots Hill, LLC and the \$260,000 cash payment. Management has fully reserved the additional \$60,000 and does not want to record this additional income until it is fully collectible. Management intends to pursue collection of the judgements against the SBH Parties and seek property transferred by South Boots Hill, LLC to others.

PCC SBH SUB, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 9 - Subsequent events

On March 19, 2019, the Company entered into a letter agreement with Princeton Capital Corporation to extend its note payable (see Note 5) until December 31, 2019.

Management has evaluated subsequent events through March 29, 2019, the date which the financial statements were available to be issued. Management has determined that apart from the subsequent event noted above no other subsequent events required disclosure in the financial statements.

*** * * End of Notes * * ***

**INTEGRATED MEDICAL PARTNERS, LLC
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

INTEGRATED MEDICAL PARTNERS, LLC AND SUBSIDIARY
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DECEMBER 31, 2018

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Douglas L. Naffah, C.P.A.
Mary Ellin Costello, C.P.A.
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To the Members and Board of Directors
Integrated Medical Partners, LLC
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Integrated Medical Partners, LLC and Subsidiary (The Company), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statement of operations and members' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Integrated Medical Partners, LLC and Subsidiary as of December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, and as shown in the consolidated financial statements, the Company has a loss, negative cash flows from operations, and negative working capital. The Company has been reducing expenses to minimize losses and negative cash flow in the immediate term, while it seeks additional customers. The Company may be dependent upon an infusion of capital to be able to implement its plan over time. The Company cannot predict the outcome of its plan or its success in obtaining capital. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Naffah + Company, P.C.

North Andover, Massachusetts
April 8, 2019

INTEGRATED MEDICAL PARTNERS, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 21,995
Accounts receivable, net	1,328,864
Prepaid expenses	136,101
Income tax refund receivable	362,903
Total Current Assets	<u>1,849,863</u>

PROPERTY AND EQUIPMENT, NET

80,387

OTHER ASSETS

Deposits	11,995
Deferred tax asset	51,048
Total Other Assets	<u>63,043</u>

TOTAL ASSETS

\$ 1,993,293

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Line of credit	\$ 779,991
Short term notes payable	1,085,255
Accounts payable	2,287,545
Accrued expenses	350,510
Accrued interest payable	292,475
Accrued litigation settlement	583,715
Total Current Liabilities	<u>5,379,491</u>

LONG-TERM LIABILITIES

Long-term debt	300,000
Deferred tax liability	530
Total Long-Term Liabilities	<u>300,530</u>

TOTAL LIABILITIES

5,680,021

MEMBERS' DEFICIT

(3,686,728)

TOTAL LIABILITIES AND MEMBERS' DEFICIT

\$ 1,993,293

The accompanying notes are an integral part of these consolidated financial statements.

INTEGRATED MEDICAL PARTNERS, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS AND MEMBERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2018

NET REVENUE	\$ 11,439,548
OPERATING EXPENSE	<u>11,787,982</u>
LOSS FROM OPERATIONS	<u>(348,434)</u>
OTHER EXPENSE	
Interest expense	(578,081)
Total Other Expense, Net	<u>(578,081)</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(926,515)
RECOVERY OF INCOME TAXES	<u>(11,335)</u>
NET LOSS	(915,180)
MEMBERS' DEFICIT - BEGINNING OF YEAR	<u>(2,771,548)</u>
MEMBERS' DEFICIT - END OF YEAR	<u>\$ (3,686,728)</u>

The accompanying notes are an integral part of these consolidated financial statements.

INTEGRATED MEDICAL PARTNERS, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (915,180)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities	
Depreciation	67,816
Changes in assets and liabilities	
Accounts receivable, net	484,538
Prepaid expenses	(8,323)
Deposits	500
Deferred income taxes	(18,910)
Related party receivable/payable	3,513
Income tax refund receivable	(36,325)
Accounts payable	(870,039)
Accrued expenses	(107,089)
Accrued litigation settlement	583,715
Accrued interest payable	192,337

Net Cash Used in Operating Activities (623,447)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(12,116)
----------------------	----------

Net Cash Used in Investing Activities (12,116)

CASH FLOWS FROM FINANCING ACTIVITIES

Net advances (payments) on line of credit	(131,065)
Principal payments on short-term notes payable	(66,667)
Proceeds from issuance of short-term debt	600,000

Net Cash Provided by Financing Activities 402,268

NET DECREASE IN CASH (233,295)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 255,290

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 21,995

SUPPLEMENTAL CASH FLOW DISCLOSURES

CASH PAID DURING THE YEAR

Interest	\$ 385,744
Income taxes	\$ 43,900

The accompanying notes are an integral part of these consolidated financial statements.

**INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Integrated Medical Partners, LLC (IMP) which is consolidated with its 100% owned subsidiary Dominion Medical Management, Inc. (DMM) and DMM's 100% owned subsidiary Prism RCM Systems, Inc. (PRS), collectively referred to as the Company. All significant intercompany accounts and transactions have been eliminated.

Organization

IMP is a business consulting and management firm with expertise and experience in providing information technology and services to medical practices. DMM provides revenue cycle management specializing in billing and accounts receivable management services primarily to hospital-based physician practices and ancillary patient treatment centers nationwide. PRS provides the platform for the proprietary billing system used by DMM.

The Company's headquarters is in Milwaukee Wisconsin, with offices in Illinois, Virginia, California, and Pennsylvania.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to the allowance for doubtful accounts, useful lives of property and equipment, and accrued expenses.

Revenue Recognition

The majority of the Company's revenue is from clients for billing and accounts receivable cycle management. Fees are based upon collection of the client's receivables. Accordingly, the Company recognizes revenue when collections are deposited to the client's bank accounts, as this is when the Company has completed its service obligation to the client. Other service and consulting fees are recognized in the period services are performed.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Accounts Receivable

Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines its allowance for doubtful accounts by considering a number of factors, including the Company's historical write-off experience, the length of time trade accounts receivable are past due, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and industry as a whole. As of December 31, 2018, the allowance for doubtful accounts was \$56,000.

Property and Equipment

Property and equipment is recorded at cost when purchased and is depreciated using the straight-line method over the estimated useful lives of the related assets. Major additions and improvements are capitalized while maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred.

Impairment of Long-lived assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such impairment losses were recognized for the year ended December 31, 2018.

Advertising

Advertising costs are charged to operations when incurred. The Company did not incur advertising costs in 2018.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

IMP is treated as a limited liability company (LLC) for federal and state income tax purposes. As such, the income, losses, and credits are included in the income tax returns of its members.

DMM collectively with its 100% owned subsidiary, PRS, is a C Corporation and is subject to federal and state income taxes. Deferred income taxes are determined by applying currently enacted tax laws and rates to the expected reversal of the cumulative temporary differences between the carrying value of assets and liabilities for financial statement and income tax purposes. The principal items that result in temporary differences are the differences between the financial statement bases and income tax bases of property and equipment, net operating loss carryforwards and certain accruals. Valuation allowances are provided for when necessary to reduce deferred income tax assets to the amount expected to be realized.

Uncertain Tax Positions

The Company recognizes the tax effects from uncertain tax positions only if the positions are more likely than not to be sustained under examination by a tax authority, based solely on the technical merits of the position. The Company's policy is to record interest and penalties related to income tax liabilities in income tax expense. As of December 31, 2018, the Company was not aware of any uncertain tax positions.

Generally, the Company's tax returns remain open for three years from the date filed for federal and state income tax examination.

Note 2 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with US GAAP, which contemplates continuation of the Company as a going concern. However, the Company has a loss, negative cash flows, and negative working capital. In 2018, the Company began to reduce expenses to minimize losses and reduce negative cash flow while seeking new customers. The Company may be dependent upon an infusion of capital to implement its plan over time. The Company cannot predict the outcome of its plan or its success in obtaining capital.

In view of these matters, realization of a major portion of the assets in the accompanying consolidated balance sheet is dependent upon continued operations of the Company, which is in turn dependent upon the Company's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Depreciable Lives	2018
Furniture and fixtures	7 yrs.	\$ 13,750
Computer equipment	3-7 yrs.	820,897
Leasehold improvements	5-10 yrs.	189,156
Total Property and Equipment		1,023,803
Less: Accumulated Depreciation		943,236
Total Property and Equipment, Net		\$ 80,567

Depreciation expense for the year ending December 31, 2018 was \$67,569.

Note 4 - LINE OF CREDIT

On May 16, 2018, the Company refinanced its line of credit with a one-year revolving line of credit agreement with Sterling Commercial Credit. The agreement provides borrowings of up to 80% of eligible accounts receivable, up to a maximum debt of \$1,250,000. The line bears interest at an annual rate of 4% plus the Wall Street Journal Prime Rate of Interest (5.5% at December 31, 2018). Sterling Commercial Credit also provides an accounts receivable purchase agreement that allows borrowing of up to 90% of purchased accounts receivable. The purchase agreement charges fees of 1% of advances for the first 15 days outstanding, with 1% incremental increases for each additional 15 days outstanding, up to 7% for 91 or more days. Both loans are secured by all Company assets. At December 31, 2018, the line of credit balance was \$779,991.

Note 5 - SHORT TERM NOTE PAYABLE

On March 22, 2018 the Company entered into an agreement with Princeton Capital Corporation, a majority member of the Company, to refinance the Company's debt to the member in the amount of \$451,922, and to borrow an additional \$600,000. The one-year note bears interest at an annual rate of 18%, payable quarterly, with an option for the Company to defer payments of interest in excess of 12%. At December 31, 2018, the balance of the short term note payable was \$1,085,256.

This note was refinanced on February 28, 2019. Reference is made to Note 15.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6 - LONG-TERM DEBT

Unsecured subordinated convertible promissory notes consisting of one note to a member, in the amount of \$100,000, dated November 19, 2015 and two notes dated January 1, 2016 in the amounts of \$100,000 and \$50,000. The notes have interest only payments due quarterly at 15%, beginning on the first day of the first month after the completion of the Company's recapitalization. The recapitalization is defined as obtaining a commercial line of credit and converting all preferred membership units to common units. Effective March 31, 2016, penalty interest of 18% accrues until a recapitalization event has occurred, and is payable with the first payment of interest. As of April 8, 2019, the recapitalization has not occurred and the penalty interest of 18% is being accrued. Principal is convertible at the payee's option to common equity units based on the terms of the agreement. If the notes are not converted, any unpaid principal and accrued interest is due in full on December 31, 2020.

Unsecured subordinated promissory note to a member, in the amount of \$50,000. The note requires interest only payments due quarterly at 15%, beginning on the first day of the month after the completion of the Company's recapitalization as described above. Penalty interest of 18% is being accrued as described above. Unpaid principle, accrued interest and a \$25,000 transaction fee is due in full on December 31, 2020.

Note 7 - COMPENSATED ABSENCES

Employees of the Company are entitled to paid vacation, depending on length of service and other factors. As of December 31, 2018, Accrued Expenses include management's calculation of an accrued vacation liability of \$140,340. The Company's policy is to recognize the costs of other compensated absences when actually earned by employees.

Note 8 - MEMBERS' EQUITY

The Company and its members are parties to an operating agreement, which designates six classes of preferred membership units and a class of common units. The preferred membership units designated Class A through Class F, with Class A being senior to Class B, Class B senior to Class C, etc., through Class F as the most junior class. The number of units authorized and issued under each class is as follows:

Common Units — Authorized units: 100,000. Issued units: 87,755

Classes A through F Equity Units - Authorized units: 1,000 units of each class. Issued units range from 380 to 1000 units of each class.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
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Note 9 - INCOME TAXES

The provision for (recovery of) income taxes consists of the following components for the year ended December 31, 2018:

Current	\$ 7,575
Deferred	(18,910)
	<hr/>
Total Provision for (Recovery of) Income Taxes	\$ (11,335)
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Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between tax bases and financial reporting basis of certain assets and liabilities based upon the currently enacted rates expected to be in effect when such amounts are realized and settled.

The effects of the existing temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2018 are as follows:

Allowance for doubtful accounts	\$ 14,560
Deferred compensation	36,488
	<hr/>
Total Deferred Tax Assets	\$ 51,048
	<hr/>
Deferred Tax Liability - Depreciation	\$ 580
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The Company generated a tax loss in 2018 of approximately \$788,000. The loss can be carried forward indefinitely and used to offset future federal taxable income. Because the future utilization of this tax loss carryforward is uncertain, no related deferred tax asset has been reflected in the accompanying financial statements.

Note 10 - RETIREMENT PLAN

The Company maintains a 401(k) plan for substantially all full-time employees. There were no company matching contributions to the plan for the year ended December 31, 2018.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
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Note 11 - OPERATING LEASES

The Company leases office space under various operating leases which expire at various dates through 2024, and some leases are on a month to month basis. Rent expense under these leases was \$189,583 for the year ending December 31, 2018.

Future minimum lease rentals on long-term leases are as follows:

Year	Amount
2019	\$ 255,953
2020	178,365
2021	74,639
2022	18,711
2023	18,711
Thereafter	18,711
	<u>\$ 565,090</u>

Note 12 - RELATED PARTY TRANSACTIONS

The Company owns 33.33% of Plexus Teleradiology, LLC (PTR) a company that offered radiology IT and support services. The amount of \$121,877 owed to PTR at December 31, 2018 was written off and credited to operating expenses in 2018, as PTR became substantially inactive in 2018 and management expects PTR to be dissolved in 2019.

Other related party transactions are described in Note 5, 6 and 15.

Note 13 - CONCENTRATIONS

The Company places its cash equivalents in bank deposit accounts at a credit-worthy financial institution. The Company has not experienced any losses on its cash equivalents. From time to time the bank deposit account balance may exceed federal depository insurance coverage and management considers this to be a normal business risk. The Company had no uninsured cash balance at December 31, 2018.

A major customer exists if the Company's revenues from that customer exceed 10% in a given year, or if the year-end accounts receivable from a single customer exceeds 10% of the Company's total accounts receivable.

Revenue for 2018 included revenues from one customer which accounted for 8% of the total Company's revenue and 12% of the total accounts receivable as of December 31, 2018.

INTEGRATED MEDICAL PARTNERS AND SUBSIDIARY
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Note 14 - CONTINGENCIES

On January 16, 2018 a vendor was awarded \$1,533,715 in full settlement of all claims including amounts due to the vendor for services rendered. Under the terms of a settlement agreement the Company paid \$600,000 on March 23, 2018, and agreed to pay twelve monthly payments of \$35,000 beginning on April 1, 2018, with the balance payable in full on March 31, 2019, plus interest at an annual rate of 10%.

In 2017 legal action was brought against the company by a customer alleging breach of contract and \$10 million in lost revenue. The company has filed a counter claim and believes the claims asserted in the lawsuit are without merit and are not likely to result in material loss.

The Company is involved, from time to time, in litigation, or other legal claims and proceedings involving matters associated with or incidental to their business, including, among other things, matters involving breach of contract claims and employment issues. The Company believes the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on its financial condition or results of operations. However, assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to the Company or by judges, juries or other finders of fact, which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

Note 15 - SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events through April 8, 2019, the date that the financial statements were available to be issued. The following transaction has occurred since December 31, 2018

On February 28, 2019 the member advanced an additional \$586,128 plus accrued interest of \$63,367, resulting in a new one-year note in the amount of \$1,671,383. The loan requires a principal payment of \$258,775 in April 2019, plus monthly payments of interest and principal of \$35,000 beginning on March 31, 2019. The loan bears interest at an annual rate of 18%, payable quarterly, with an option for the Company to defer payments, until the note maturity date, of interest in excess of 12%. The note is secured by all business assets, subordinated to the security interests of Sterling Commercial Credit.