

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

Commission File Number 814-00710

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

Maryland	46-3516073
(State or other jurisdiction of incorporation or organization)	(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	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 every Interactive Data File required to be submitted 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 such files). Yes ☐ No ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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 \$750,260 based on the closing price of \$0.15 per share on the Over the Counter Pink Market on June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter.

As of March 31, 2021, there were 120,486,061 shares of common stock, \$.001 par value, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

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 and “House Hanover” refers to our 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 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 December 27, 2017, following the resignation of our former President, Chief Executive Officer, and director of the Company, the Board of Directors of the Company (the “Board”) approved (specifically in accordance with Rule 15a-4(b)(1)(ii) of the Investment Company Act of 1940 (the “Investment Company Act” or “1940 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. The House Hanover Investment Advisory Agreement was last annually renewed by the Board and by 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 the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act and the House Hanover Investment Advisory Agreement on May 13, 2020.

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. A summary of the House Hanover Investment Advisory Agreement is also set forth herein.

On November 15, 2019, our Board announced that the Company has initiated a strategic review process to identify, examine, and consider a range of strategic alternatives available to the Company, including but not limited to, (i) selling the Company's assets to a business development company or other potential buyer, (ii) merging with another business development company, (iii) liquidating the Company's assets in accordance with a plan of liquidation, (iv) raising additional funds for the Company, or (v) otherwise entering into another business combination, with the objective of maximizing stockholder value. As of December 31, 2020 and through the date of filing this Annual Report, the Company has not entered into any agreements regarding any strategic alternative.

The following discussion describes the Company as of December 31, 2020 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. While we have sought to invest primarily in private small and lower middle-market companies in various industries through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, often times with a corresponding equity investment, we are now (with a strategic alternatives process underway and limited resources) investing only in current investments and otherwise conserving cash. 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 2020 and 2019 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](http://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". The Company did not meet the qualifications of a RIC for the 2020 tax year and will be taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986 (the "Code"). It may not be in the best interests of the Company's stockholders to elect to be taxed as a RIC at the present time due to the net operating losses and capital loss carryforwards the Company currently has. Further, we do not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved. Management will make a determination that is in the best interests of the Company and its stockholders.

## **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.

## **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. House Hanover is allowing management fees to accrue and not be paid to allow the Company to build its cash balance and analyze the best use of its available funds.

#### *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 was last annually renewed by the Board and by 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 the 1940 Act) of any such party on May 13, 2020.

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. On an annual basis and in general, BDCs intend to elect to be treated for tax purposes as a regulated investment company ("RIC") under Subchapter M of the Code. However, we did not meet the qualifications of a RIC for the 2020 tax year and will be taxed as a corporation under Subchapter C of the Code. Further, we do not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved. 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 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 (OTCBB) or through OTC Markets Group (including the Pink Market) 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 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's 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's 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 with the assistance of the Company's Valuation Committee, 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 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 could have a material adverse effect on us and our stockholders. As disclosed elsewhere in this annual report, we have failed to qualify as a RIC since inception and the Company will be taxed as a C corporation and subject to federal and state corporation income taxes for its 2020 and 2019 taxable years.

***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 to our stockholders. 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 requirements, 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.



***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, general economic conditions, and the performance of our investments. 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 Pink 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 OTC Market 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 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.

***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.

***The impact that the COVID-19 pandemic has had and will continue to have on our business, results of operations, financial position and cash flow.***

The global economy has been effected by the COVID-19 pandemic, including the small and medium sized businesses in which we are invested. The extent to which our operations may be impacted will depend largely on future developments, which are uncertain and cannot be predicted, including duration, the restrictions by governmental authorities to operate businesses and the effect that programs, such as the Paycheck Protection Program by the U.S. Small Business Administration, will have.

**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 certain factors, if relevant, in determining the fair value of our investments. These factors could include, but are not limited to 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.

***When we 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 in 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.

***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.

***Our share ownership is concentrated.***

As of March 31, 2021 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, 2020, there were no material legal proceedings against the Company or any of its officers or directors.

##### **Great Value Storage Litigation**

On March 14, 2019, the Company filed a complaint against Great Value Storage, LLC (“GVS”), World Class Capital Group, LLC (“World Class”), and Natin Paul, which we refer to collectively as the GVS Defendants, in the District Court for Harris County, Texas. GVS is one of the Company’s portfolio companies. The complaint alleges that the GVS defendants are in breach of certain contractual obligations under a Note Purchase Agreement entered into between the parties on July 31, 2012, as amended (the “Note Purchase Agreement”), including failure to make payments owed to the Company under the Note Purchase Agreement. The Company seeks (i) actual damages, (ii) special, statutory, or exemplary damages, (iii) pre-judgment interest, (iv) post-judgment interest, (v) court costs, (vi) reasonable attorneys’ fees, and (vii) all other relief to which the Company may be entitled to under law or equity. On April 15, 2019, the GVS Defendants filed an Answer with Request for Disclosure. On January 22, 2021 the Harris County District Court granted the Company’s Motion for Partial Summary Judgment on its breach of contract claim against GVS and World Class. On March 4, 2021, the Final Judgment Order was entered awarding damages to the Company in the amount of \$9,910,601. On March 9, 2021, the Harris County District Court granted the Company’s Motion to Sever Remaining Claims. These remaining claims are pending in the Harris County District Court. The Company has not received financial statements from GVS since August 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. Other than set forth above, 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 Market (OTCPK) 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 Market 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, 2020	\$ 0.15	\$ 0.14
September 30, 2020	\$ 0.15	\$ 0.14
June 30, 2020	\$ 0.22	\$ 0.12
March 31, 2020	\$ 0.35	\$ 0.21
December 31, 2019	\$ 0.45	\$ 0.22
September 30, 2019	\$ 0.29	\$ 0.18
June 30, 2019	\$ 0.25	\$ 0.18
March 31, 2019	\$ 0.39	\$ 0.13
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

Notwithstanding the forgoing, our common stock is sporadically and thinly trading. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. 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 26, 2021, there were 38 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 1,571,710 shares of common stock are held in street name which reflected approximately 1.30% of the outstanding shares of common stock as of March 26, 2021, 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 was taxed as a C corporation and subject to federal and state corporation income taxes for its 2019 taxable year. The Company does not expect to meet the qualifications of a RIC for the 2020 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 2020 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 2020 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. While the Company does not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved, it can still declare a dividend even though it is not required to do so.

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.

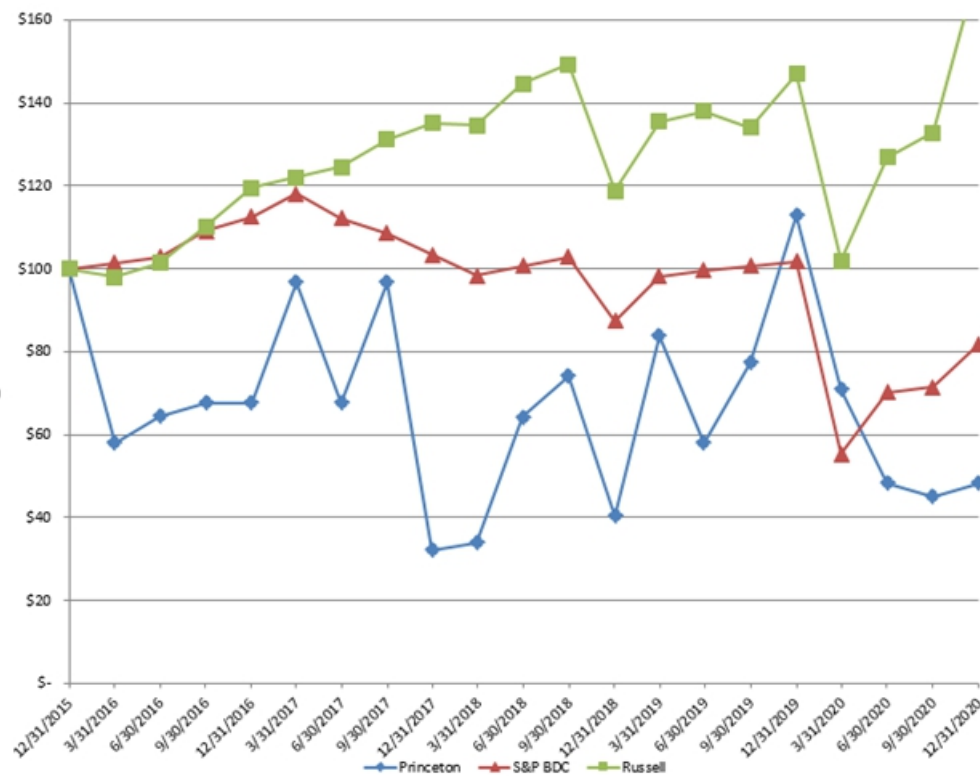
For each of the fiscal years ended December 31, 2020, 2019, and 2018, the Company did not declare any cash dividends on the Company's common stock.

## **Sale of Unregistered Securities**

There were no sales of unregistered securities during the year ended December 31, 2020.

**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, 2015, 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 OTC Pink Market 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, 2020, there were no repurchases made by or on behalf of the issuer of shares of equity securities.

## EQUITY COMPENSATION PLAN INFORMATION

### 1995 Employee & Consultant Incentive Benefit Plan

The Company does not currently have any equity incentive plan. Our board of directors previously adopted an equity incentive plan on May 3, 1995 called the Employee & Consultant Incentive Benefit Plan ("1995 Stock Plan"), 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 were issued and outstanding. As of December 31, 2020, 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:

	2020	2019	2018	2017	2016
Total assets	\$ 23,666,718	\$ 34,114,468	\$ 41,970,679	\$ 41,948,380	\$ 99,819,764
Total liabilities	1,187,178	834,139	415,728	540,841	55,834,445
Net assets	\$ 22,479,540	\$ 33,280,329	\$ 41,554,951	\$ 41,407,539	\$ 43,985,319
Net asset value per outstanding share	0.187	0.276	0.345	0.344	0.365
Common shares outstanding	120,486,061	120,486,061	120,486,061	120,486,061	120,486,061

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

	2020	2019	2018	2017	2016
Total investment income	\$ 904,943	\$ 1,145,266	\$ 3,276,525	\$ 2,433,546	\$ 2,286,334
Net expenses (including taxes)	1,580,138	2,217,219	2,236,962	1,417,992	2,784,429
Net investment income (loss)	\$ (675,195)	\$ (1,071,953)	\$ 1,039,563	\$ 1,015,554	\$ (498,095)

### 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”). While we have sought to invest primarily in private small and lower middle-market companies in various industries, we are now (with a strategic alternatives process underway and limited resources) investing only in current investments and otherwise conserving cash. 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 (“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.

On November 15, 2019, our Board announced that the Company has initiated a strategic review process to identify, examine, and consider a range of strategic alternatives available to the Company, including but not limited to, (i) selling the Company’s assets to a business development company or other potential buyer, (ii) merging with another business development company, (iii) liquidating the Company’s assets in accordance with a plan of liquidation, (iv) raising additional funds for the Company, or (v) otherwise entering into another business combination, with the objective of maximizing stockholder value.

## 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. While we have sought to invest primarily in private small and lower middle-market companies in various industries, we are now (with a strategic alternatives process underway and limited resources) investing only in current investments and otherwise conserving cash.

On an annual basis and in general, BDCs 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, a BDC must, among other things, meet certain source-of-income and asset diversification requirements. As a RIC, BDCs generally will not have to pay corporate-level taxes on any income they distribute to their stockholders. We did not meet the qualifications of a RIC for the 2019 or 2020 tax years and will be taxed as a corporation under Subchapter C of the Code. Further, we do not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved.

## 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. 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, 2020, the Company had investments in 7 portfolio companies. The total cost and fair value of the total investments were approximately \$46.2 million and \$21.6 million, respectively. The composition of our investments by asset class as of December 31, 2020 is as follows:

Investments	Cost	Fair Value	Percentage of Total Portfolio
<b>Portfolio Investments</b>			
First Lien Loans	\$ 15,537,699	\$ 14,671,435	68.0%
Second Lien Loans	12,766,144	5,235,708	24.3
Unsecured Loans	1,381,586	-	-
Equity	16,483,889	1,659,880	7.7
<b>Total Portfolio Investments</b>	<b>46,169,318</b>	<b>21,567,023</b>	<b>100.0</b>
<b>Total Investments</b>	<b>\$ 46,169,318</b>	<b>\$ 21,567,023</b>	<b>100.0%</b>

At December 31, 2019, the Company had investments in 9 portfolio companies. The total cost and fair value of the total investments were approximately \$55.2 million and \$33.3 million, respectively. The composition of our investments by asset class as of December 31, 2019 is as follows:

Investments	Cost	Fair Value	Percentage of Total Portfolio
<b>Portfolio Investments</b>			
First Lien Loans	\$ 15,537,699	\$ 13,740,173	41.2%
Second Lien Loans	21,842,279	15,140,187	45.4
Unsecured Loans	1,381,586	2,816,265	8.4
Equity	16,483,889	1,655,877	5.0
<b>Total Portfolio Investments</b>	<b>55,245,453</b>	<b>33,352,502</b>	<b>100.0</b>
<b>Total Investments</b>	<b>\$ 55,245,453</b>	<b>\$ 33,352,502</b>	<b>100.0%</b>

At December 31, 2020, our weighted average yield based upon cost of our portfolio investments was approximately 7.39% of which approximately 7.39% is current cash interest. At December 31, 2019, our weighted average yield based upon cost of our portfolio investments was approximately 9.39% of which approximately 6.98% is current cash interest.

At December 31, 2020 and December 31, 2019, 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.

### *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, 2020 are as follows:

- On January 6, 2020, Lone Star Brewery Development, Inc. (“Lone Star”), a wholly-owned subsidiary of Parkview Capital Credit (“Parkview”), filed for bankruptcy protection in the United States Bankruptcy Court for the Western District of Texas under Chapter 11 of the United States Bankruptcy Code. Lone Star’s sole asset is a 32-acre parcel of land located at the site of the former Lone Star Brewery in San Antonio, Texas. Pursuant to the bankruptcy rules as they relate to single asset real estate bankruptcies, Lone Star had 90 days from the date of its bankruptcy filing to file a restructuring plan to exit bankruptcy or, if a plan is not filed, to begin making interest payments to its lenders. On February 26, 2020, the bankruptcy court entered an order approving Lone Star’s employment of a real estate broker to market and sell the property. The procedures to sell the property were subsequently approved by the bankruptcy court on March 10, 2020.
- On March 31, 2020, the Company agreed to and paid \$90,937 in real estate taxes on behalf of the property, to prevent Lone Star from defaulting on their agreement with the first lienholder to sell the property. Under the existing second lien loan agreement with Lone Star, the Company has the ability to pay real estate taxes and consider it an additional loan. These amounts were personally guaranteed by the sole shareholder of Lone Star, Parkview and by an individual who is an officer of both Lone Star and Parkview.
- On April 17, 2020, the Company amended the second lien loan to Capital Foundry Funding, LLC to extend the maturity date to July 21, 2020.
- On May 1, 2020 and as part of the plan before the United State Bankruptcy Court for the Western District of Texas, Lone Star sold its sole asset, a 32-acre parcel of land located in San Antonio, TX, for \$14,450,000 in a court ordered sale forced by foreclosure of the first lien holder.
- On May 15, 2020 the Company filed a motion to convert the Lone Star bankruptcy to a case under Chapter 7 of the United States Bankruptcy Code. This motion was unopposed and granted on May 28, 2020.
- On July 21, 2020, the Company agreed to amend the Loan and Security Agreement with Capital Foundry Funding, LLC and CF Energy Finance, LLC, and together (“Capital Foundry”) to extend the maturity date of the loan to November 21, 2020. In exchange, the Company received a principal payment on its loan of \$750,000.
- On September 1, 2020, the Company received notice from Performance Alloys, LLC that it was not allowed to make its monthly interest payment due to a minimum availability threshold on its revolving line of credit that it must maintain in the underlying agreements with its first lien holder.
- On October 20, 2020, the Company filed a motion on behalf of Lone Star in the Bankruptcy Court in order to distribute the remaining funds held in Lone Star’s estate to the Company as its only remaining secured creditor. On November 9, 2020, the court approved the distribution.



- On November 20, 2020, the Company received the remaining principal balance due under the Loan and Security Agreement with Capital Foundry in the amount of \$250,000.
- On December 1, 2020, the Company completed the disposition of its investment in Lone Star and received \$718,614 from the trustee that was appointed by the United States Bankruptcy Court for the Western District of Texas. The Company's investment in Lone Star consisted of a Second Lien Loan in the original principal amount of \$8,000,000.
- Effective December 31, 2020, the Company amended the Rockfish Seafood Grill, Inc. Revolving Line of Credit to extend the maturity date to December 31, 2021.
- Effective December 31, 2020, the Company amended the Amended, Restated and Consolidated Promissory Note from Advantis Certified Staffing Solutions, Inc. to extend the maturity date to December 31, 2021.

## 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 end up 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, 2020 and December 31, 2019:

Investment Rating	As of December 31, 2020			As of December 31, 2019		
	Fair Value	% of Total Portfolio	Number of Portfolio Companies	Fair Value	% of Total Portfolio	Number of Portfolio Companies
1	\$ —	—%	—	\$ —	—%	—
2	—	—	—	6,317,386	18.94	2
3	—	—	—	—	—	—
4	17,679,643	88.81	3	25,379,239	76.09	5
5	2,227,500	11.19	2	—	—	—
	<u>\$ 19,907,143</u>	<u>100.00%</u>	<u>5</u>	<u>\$ 31,696,625</u>	<u>95.04%</u>	<u>7</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, 2020, we had 5 loans on non-accrual status and as of December 31, 2019, we had 5 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 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, 2020, 2019, and 2018**

	Year Ended December 31, 2020		Year Ended December 31, 2019		Year Ended December 31, 2018	
	Total	Per Share <sup>(1)</sup>	Total	Per Share <sup>(1)</sup>	Total	Per Share <sup>(1)</sup>
<b>Investment income</b>						
Interest income <sup>(2)</sup>	\$ 783,633	\$ 0.007	\$ 1,115,620	\$ 0.009	\$ 1,933,907	\$ 0.016
Other income	121,310	0.001	29,646	0.000	1,342,618	0.011
<b>Total investment income</b>	<b>904,943</b>	<b>0.008</b>	<b>1,145,266</b>	<b>0.009</b>	<b>3,276,525</b>	<b>0.027</b>
<b>Operating expenses</b>						
Management fees	266,984	0.002	364,135	0.003	402,750	0.003
Administration fees	396,324	0.003	407,500	0.003	414,000	0.003
Audit Fees	197,550	0.002	284,020	0.002	232,006	0.002
Legal Fees	131,451	0.001	187,381	0.002	499,961	0.005
Valuation fees	159,000	0.001	170,920	0.001	221,010	0.002
Other professional fees	21,920	0.000	24,350	0.000	15,350	0.000
Directors' fees	150,000	0.001	148,500	0.001	155,000	0.001
Insurance expense	141,893	0.001	128,551	0.001	120,683	0.001
Interest expense	3,598	0.000	3,527	0.000	46,568	0.000
Other general and administrative expenses	93,053	0.001	103,431	0.001	111,773	0.001
Bad debt expense	16,549	0.000	413,928	0.003	-	-
<b>Total operating expenses</b>	<b>1,578,322</b>	<b>0.012</b>	<b>2,236,243</b>	<b>0.017</b>	<b>2,219,101</b>	<b>0.018</b>
<b>Total net operating expenses</b>	<b>1,578,322</b>	<b>0.012</b>	<b>2,236,243</b>	<b>0.017</b>	<b>2,219,101</b>	<b>0.018</b>
<b>Net investment income (loss) before tax</b>	<b>(673,379)</b>	<b>(0.006)</b>	<b>(1,090,977)</b>	<b>(0.009)</b>	<b>1,057,424</b>	<b>0.009</b>
Income tax expense (benefit)	1,816	-	(19,024)	-	17,861	-
<b>Net investment income (loss) after tax</b>	<b>(675,195)</b>	<b>(0.006)</b>	<b>(1,071,953)</b>	<b>(0.009)</b>	<b>1,039,563</b>	<b>0.009</b>
<b>Net change in unrealized loss</b>	<b>(2,709,344)</b>	<b>(0.022)</b>	<b>(7,202,669)</b>	<b>(0.060)</b>	<b>(783,795)</b>	<b>(0.007)</b>
<b>Net realized loss</b>	<b>(7,416,250)</b>	<b>(0.062)</b>	<b>-</b>	<b>(0.000)</b>	<b>(108,356)</b>	<b>(0.001)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (10,800,789)</b>	<b>\$ (0.090)</b>	<b>\$ (8,274,622)</b>	<b>\$ (0.069)</b>	<b>\$ 147,412</b>	<b>\$ 0.001</b>

(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, 2020, 2019, and 2018, 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 \$21,804, \$211,102, and \$188,353, for the years ended December 31, 2020, 2019, and 2018, respectively.

### *Operating Expenses*

Total net operating expenses decreased from \$2,236,243 for the year ended December 31, 2019 to \$1,578,322 for the year ended December 31, 2020. The decrease is primarily due to a decrease in bad debt expense, and to a lesser extent, management, audit and legal fees. The decrease was minimally offset by an increase in insurance expense.

Total net operating expenses per share decreased from \$0.017 per share for the year ended December 31, 2019 to \$0.012 per share for the year ended December 31, 2020.

Total net operating expenses increased from \$2,219,101 for the year ended December 31, 2018 to \$2,236,243 for the year ended December 31, 2019. The increase is primarily due to an increase in audit fees, insurance expenses, and other general and administrative expenses for the year ended December 31, 2019, which was partially offset by a decline in legal fees. For the year ended December 31, 2019, bad debt expense in the amount of \$413,928 was recorded to create an allowance for bad debt related to interest receivable from the investment in Great Value Storage, LLC.

Total net operating expenses per share decreased from \$0.018 per share for the year ended December 31, 2018 to \$0.017 per share for the year ended December 31, 2019.

### *Net Investment Income (Loss)*

Net investment income (loss) (after tax) decreased from \$(1,071,953) for the year ended December 31, 2019 to \$(675,195) for the year ended December 31, 2020. This decrease is primarily due to a decrease in bad debt expense, management, audit and legal fees as well as a decrease interest income for the year ended December 31, 2020.

Net investment income (loss) (after tax) per share decreased from \$(0.009) per share for the year ended December 31, 2019 to \$(0.006) per share for the year ended December 31, 2020.

Net investment income (loss) (after tax) decreased from \$1,039,563 for the year ended December 31, 2018 to \$(1,071,953) for the year ended December 31, 2019. This decrease is primarily due to an decrease in other income and to a lesser extent a decrease in interest income for the year ended December 31, 2019.

Net investment income (loss) (after tax) per share decreased from \$0.009 per share for the year ended December 31, 2018 to \$(0.009) per share for the year ended December 31, 2019.

### *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, 2020, we recognized a net realized loss of \$7,416,250 in connection with a loss attributable to the receipt of final proceeds from our loan to Lone Star Brewery Development Inc. and a gain of \$86,731 for the final distribution of escrowed amounts from our previously exited investment in Spencer Enterprises Holdings, LLC.

For the year ended December 31, 2019, we did not recognize any realized gain or loss.

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.

### *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 \$(2,709,344) for the year ended December 31, 2020 primarily in connection with unrealized losses of \$(3,089,886), \$(1,266,245), \$(1,224,885) on Performance Alloys, Inc., Dominion Medical Management, Inc, and Great Value Storage, LLC, Inc, respectively, partially offset by unrealized gains of \$2,156,147 on Rockfish Seafood Grill, Inc.

Net change in unrealized gain (loss) on investments totaled a loss of \$(7,202,669) for the year ended December 31, 2019 primarily in connection with unrealized losses of \$(3,730,752), \$(1,046,606), \$(1,261,058) on Performance Alloys, Inc., Integrated Medical Partners, LLC, and Rockfish Seafood Grill, Inc, respectively, partially offset by unrealized gains of \$415,899 on Great Value Storage, LLC.

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 unrealized losses of \$(1,681,611), \$(907,305), \$(903,537) on Advantis Certified Staffing Solutions, Inc., Integrated Medical Partners, LLC, and Great Value Storage, LLC, respectively, partially offset by unrealized gains of \$2,535,938, \$450,000 and \$354,967 on Performance Alloys, Inc., Lone Star Brewery Development, Inc. and PCC SBH Sub, Inc.

#### **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, 2020, we had \$1,751,230 in cash and restricted cash, and our net assets totaled \$22,479,540. 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, 2020, 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 House 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**

For the twelve months ended December 31, 2020 and 2019, and through the date of issuance of this report, no dividends have been declared or distributed to stockholders.

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 did not meet the requirements to qualify as a RIC for the 2020 and 2019 tax years and will be taxed as a corporation under Subchapter C of the Code. It may not be in the best interests of the Company's stockholders to elect to be taxed as a RIC at the present time 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. While the Company does not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved, it can still declare a dividend even though it is not required to do so.

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 failure to qualify 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 years ended December 31, 2020 and 2019 were \$266,984 and \$364,135, respectively. As of December 31, 2020 and December 31, 2019, management fees of \$552,121 and \$285,138, respectively, were payable to House Hanover. House Hanover is allowing management fees to accrue and not be paid to allow the Company to build its cash balance and analyze the best use of its available funds.

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

As of December 31, 2018, management fees of \$19,282, were payable to Princeton Advisory Group, Inc., our former investment advisor.

##### *Incentive Fees*

The Company is not obligated to pay House Hanover an incentive fee. Incentive fees are a typical component of investment advisory agreements with business development companies.

#### **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 quarterly. 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 values each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors, that are provided by a nationally recognized independent valuation firm. Beginning with the period ending June 30, 2019, the Company engaged a new third-party valuation firm to perform its independent valuations of the Company's Level 3 investments. This valuation firm provides a range of values for selected investments, which is presented to the Valuation Committee to determine the value for each of the selected investments.

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 the 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 March 4, 2021, the Final Judgment Order was entered, after the Harris County District Court granted the Company's Motion for Partial Summary Judgment on its breach of contract claim against Great Value Storage, LLC and World Class Capital Group, LLC, awarding damages to the Company in the amount of \$9,910,601. On March 9, 2021, the Harris County District Court granted the Company's Motion to Sever Remaining Claims. These remaining claims are pending in the Harris County District Court. (See Item 3. Legal Proceedings & Note 9 of the financial statements)

## **COVID-19**

As the global spread of COVID-19 continues, we have experienced increased market volatility and economic uncertainties which may materially impact the valuation of portfolio investments and in turn, the net asset value of the Company. This may have other financial or operational effects, though the extent of such impact is unpredictable at this time. Further, while the effects of this pandemic have negatively impacted our portfolio companies, four of them have benefited from the Paycheck Protection Program by the U.S. Small Business Administration.

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to financial market risks, including credit risk, illiquidity of investments in our portfolio and changes in interest rates.

Credit risk is the primary market risk associated with our business. Credit risk originates from the fact that some of our portfolio companies may become unable or unwilling to fulfill their contractual payment obligations to us and may eventually default on those obligations. These contractual payment obligations arise under the debt securities and other investments that we hold. They include payment of interest, principal, dividends, fees and payments under guarantees and similar instruments.

We primarily invest in illiquid debt and other securities of small and mid-sized private companies. In some cases these investments include additional equity components. Our investments may have no established trading market or are generally subject to restrictions on resale. The illiquidity of our investments may adversely affect our ability to dispose of debt and equity securities at times when it may be otherwise advantageous for us to liquidate such investments. As of December 31, 2020, all of our debt investments are fixed rate.



**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index to Financial Statements**

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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, 2020 and 2019, the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### 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, 2020 and 2019, 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.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Fair value of investments*

As discussed in Note 5 to the financial statements, the Company measures substantially all of its investments at fair value using unobservable inputs and assumptions as there is no readily available market value. As of December 31, 2020, total investments at fair value were \$21,567,023.

We identified the evaluation of the fair value of investments as a critical audit matter. Assessment of the Company's judgments regarding the use of specific valuation techniques, inputs and assumptions involved a high degree of subjective auditor judgment. Changes in these techniques, inputs and assumptions could have a significant impact on the fair value of investments. In particular, the Company uses both market and income approaches to value certain equity and debt investments. Additionally, the Company makes judgments relating to credit risk and market yields used in yield analyses, guideline company market multiples and financial performance measures used in determining enterprise values, and discount rates used in discounted cash flow analyses for certain equity, debt and other interest-bearing investments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included, among others, either (i) testing management's process for determining the fair value estimate, which included evaluating the appropriateness of the market approach or income approach; testing the completeness, accuracy, and relevance of the underlying data used in the technique; and evaluating the significant unobservable inputs and assumptions used by management, including the selected valuation multiples and discount rates or market yields, by considering the consistency and reasonableness of the unobservable inputs relative to the performance of the subject company or assets, and the external market and industry data and evidence obtained in other areas of the audit; or (ii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent fair value estimate range for certain level 3 debt and equity investments, and comparison of management's estimate to the independently developed range of fair value estimates. Developing the independent range involved selection of independent significant unobservable inputs for the market multiples, discount rates or market yield, in order to evaluate the reasonableness of management's fair value estimate of these certain level 3 investments, using a range of available market information.

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

/s/ WithumSmith+Brown, PC

Whippany, New Jersey  
March 31, 2021

**PRINCETON CAPITAL CORPORATION**  
**STATEMENTS OF ASSETS AND LIABILITIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Control investments at fair value (cost of \$27,486,442 and \$27,486,442, respectively)	\$ 14,280,391	\$ 13,194,543
Non-control/non-affiliate investments at fair value (cost of \$18,682,876 and \$27,759,011, respectively)	7,286,632	20,157,959
Total investments at fair value (cost of \$46,169,318 and \$55,245,453, respectively)	21,567,023	33,352,502
Cash	1,725,700	357,692
Restricted cash	25,530	25,294
Due from portfolio companies	199,865	222,133
Interest receivable, net of allowance for bad debt of \$430,445 and \$413,928, respectively	114,740	83,687
Taxes receivable	7,250	44,750
Prepaid expenses	26,610	25,721
Other receivable	-	2,689
<b>Total assets</b>	<b>23,666,718</b>	<b>34,114,468</b>
<b>LIABILITIES</b>		
Accrued management fees	552,121	285,138
Accounts payable	89,461	251,704
Due to affiliates	472,500	202,500
Tax expense payable	1,593	7,000
Deferred fee income	42,056	69,208
Accrued expenses and other liabilities	29,447	18,589
<b>Total liabilities</b>	<b>1,187,178</b>	<b>834,139</b>
<b>Net assets</b>	<b>\$ 22,479,540</b>	<b>\$ 33,280,329</b>
<b>NET ASSETS</b>		
Common Stock, par value \$0.001 per share (250,000,000 shares authorized; 120,486,061 shares issued and outstanding at December 31, 2020 and December 31, 2019)	\$ 120,486	\$ 120,486
Paid-in capital	64,868,884	64,868,884
Accumulated undistributed net realized loss	(8,161,872)	(745,622)
Distributions in excess of net investment income	(9,745,663)	(9,070,468)
Accumulated unrealized loss on investments	(24,602,295)	(21,892,951)
<b>Total net assets</b>	<b>\$ 22,479,540</b>	<b>\$ 33,280,329</b>
<b>Net asset value per share</b>	<b>\$ 0.187</b>	<b>\$ 0.276</b>

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2020	2019	2018
<b>INVESTMENT INCOME</b>			
Interest income from non-control/non-affiliate investments	\$ 594,126	\$ 556,897	\$ 1,420,231
Interest income paid-in-kind from non-control/non-affiliate investments	-	-	136,172
Interest income from control investments	167,703	347,621	325,321
Interest income paid-in-kind from control investments	21,804	211,102	52,183
Other income from non-control/non-affiliate investments	27,152	26,421	44,872
Other income from non-investment sources (Note 2)	94,158	3,225	1,297,746
<b>Total investment income</b>	<b>904,943</b>	<b>1,145,266</b>	<b>3,276,525</b>
<b>OPERATING EXPENSES</b>			
Management fees	266,984	364,135	402,750
Administration fees	396,324	407,500	414,000
Audit fees	197,550	284,020	232,006
Legal fees (Note 2)	131,451	187,381	499,961
Valuation fees	159,000	170,920	221,010
Other professional fees	21,920	24,350	15,350
Directors' fees	150,000	148,500	155,000
Insurance expense	141,893	128,551	120,683
Interest expense	3,598	3,527	46,568
Other general and administrative expenses	93,053	103,431	111,773
Bad debt expense	16,549	413,928	-
<b>Total operating expenses</b>	<b>1,578,322</b>	<b>2,236,243</b>	<b>2,219,101</b>
<b>Net investment income (loss) before tax</b>	<b>(673,379)</b>	<b>(1,090,977)</b>	<b>1,057,424</b>
<b>Income tax expense (benefit)</b>	<b>1,816</b>	<b>(19,024)</b>	<b>17,861</b>
<b>Net investment income (loss) after taxes</b>	<b>(675,195)</b>	<b>(1,071,953)</b>	<b>1,039,563</b>
<b>Net realized loss on:</b>			
Non-control/non-affiliate investments	(7,416,250)	-	(108,356)
Control investments	-	-	-
Affiliate investments	-	-	-
<b>Total net realized loss</b>	<b>(7,416,250)</b>	<b>-</b>	<b>(108,356)</b>
<b>Net change in unrealized gain (loss) on investments:</b>			
Non-control/non-affiliate investments	(3,795,192)	(3,708,297)	2,082,402
Control investments	1,085,848	(3,494,372)	(2,866,197)
Affiliate investments	-	-	-
US Treasury Bills and Cash	-	-	-
<b>Net change in unrealized gain (loss) on investments</b>	<b>(2,709,344)</b>	<b>(7,202,669)</b>	<b>(783,795)</b>
Net realized and unrealized loss on investments	(10,125,594)	(7,202,669)	(892,151)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (10,800,789)</b>	<b>\$ (8,274,622)</b>	<b>\$ 147,412</b>
<b>Net investment income (loss) per share</b>			
Basic	\$ (0.006)	\$ (0.009)	\$ 0.009
Diluted	\$ (0.006)	\$ (0.009)	\$ 0.009
<b>Net increase (decrease) in net assets resulting from operations per share</b>			
Basic	\$ (0.090)	\$ (0.069)	\$ 0.001
Diluted	\$ (0.090)	\$ (0.069)	\$ 0.001
<b>Weighted average shares of common stock outstanding</b>			
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,		
	2020	2019	2018
Net assets at beginning of year	\$ 33,280,329	\$ 41,554,951	\$ 41,407,539
<b>Increase (decrease) in net assets resulting from operations:</b>			
Net investment income (loss)	(675,195)	(1,071,953)	1,039,563
Realized loss on investments	(7,416,250)	-	(108,356)
Net change in unrealized loss on investments	(2,709,344)	(7,202,669)	(783,795)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>(10,800,789)</b>	<b>(8,274,622)</b>	<b>147,412</b>
Total increase (decrease) in net assets	(10,800,789)	(8,274,622)	147,412
<b>Net Assets at December 31</b>	<b>\$ 22,479,540</b>	<b>\$ 33,280,329</b>	<b>\$ 41,554,951</b>
<b>Capital share activity:</b>			
<b>Common stock</b>			
Common stock outstanding at the beginning of year	120,486,061	120,486,061	120,486,061
<b>Common stock outstanding at the end of year</b>	<b>120,486,061</b>	<b>120,486,061</b>	<b>120,486,061</b>

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net increase (decrease) in net assets resulting from operations	\$ (10,800,789)	\$ (8,274,622)	\$ 147,412
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investments in:			
Portfolio investments	(90,537)	(2,016,128)	(2,138,225)
Escrow payment on securities sold	-	-	(108,356)
U.S. Treasury Bills	-	-	(118,972,831)
Proceeds from sales, repayments, or maturity of investments in:			
Portfolio investments	1,772,226	255,994	1,879,891
U.S. Treasury Bills	-	-	119,000,000
Net realized loss on investments	7,416,250	-	108,356
Net change in unrealized loss on investments	2,709,344	7,202,669	783,795
Increase in investments due to PIK	(21,804)	(211,102)	(188,353)
Amortization of fixed income premium or discounts	-	-	2,548
Allowance for bad debt	16,517	413,928	-
Changes in other assets and liabilities:			
Due from portfolio companies	22,268	45,868	7,828
Interest receivable	(47,570)	6,283	(233,180)
Prepaid expenses	(889)	(2,169)	28,669
Tax receivable	37,500	(29,077)	298,917
Other receivable	2,689	(2,689)	-
Accrued management fees	266,983	184,560	6,296
Accounts payable	(162,243)	42,337	(29,654)
Due to affiliates	270,000	135,000	53,898
Tax expense payable	(5,407)	2,000	(31,141)
Deferred fee income	(27,152)	41,079	5,127
Accrued expenses and other liabilities	10,858	13,435	(102,833)
Net cash provided by (used in) operating activities	<u>1,368,244</u>	<u>(2,192,634)</u>	<u>518,164</u>
<b>Cash flows from financing activities:</b>			
Insurance loan payable	-	-	(26,806)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>(26,806)</u>
Net increase (decrease) in cash and restricted cash	1,368,244	(2,192,634)	491,358
Cash and restricted cash at beginning of year	382,986	2,575,620	2,084,262
Cash and restricted cash at end of year	<u>\$ 1,751,230</u>	<u>\$ 382,986</u>	<u>\$ 2,575,620</u>
<b>Supplemental disclosure of cash flow financing activities:</b>			
Interest expense paid	\$ 3,598	\$ 3,528	\$ 46,568
Income tax paid	\$ 6,836	\$ 8,053	\$ 49,002

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2020

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value <sup>(1)</sup>	% of Net Assets
<b>Portfolio Investments <sup>(6)</sup></b>					
<b>Control investments</b>					
<b>Advantis Certified Staffing Solutions, Inc.</b>					
	Houston, TX				
Second Lien Loan, 12% Cash, due 11/30/2021 <sup>(2) (5) (7)</sup>	Staffing	\$ 4,500,000	\$ 4,500,000	\$ 3,008,208	13.38%
Unsecured loan 6.33%, due 12/31/2021 <sup>(7)</sup>		\$ 1,381,586	1,381,586	-	-%
Common Stock – Series A <sup>(5) (7)</sup>		225,000	10,150	-	-%
Common Stock – Series B <sup>(5) (7)</sup>		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 <sup>(5) (7)</sup>		1	11,278	-	-%
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(5) (7)</sup>		1	-	-	-%
Total			6,331,585	3,008,208	13.38%
<b>Dominion Medical Management, Inc.</b>					
	Milwaukee, WI				
Second Lien Loan, 12.0% Cash, 6% PIK due, 3/31/2020 <sup>(2) (3) (5) (7)</sup>	Medical Business Services	\$ 1,516,144	1,516,144	-	-%
<b>Integrated Medical Partners, LLC</b>					
Preferred Membership, Class A units <sup>(5) (7)</sup>		800	4,196,937	-	-%
Preferred Membership, Class B units <sup>(5) (7)</sup>		760	29,586	-	-%
Common Units <sup>(5) (7)</sup>		14,082	-	-	-%
Total			5,742,667	-	-%
<b>PCC SBH Sub, Inc.</b>					
	Karnes City, TX				
Common stock <sup>(5) (7)</sup>	Energy Services	100	2,525,481	1,658,680	7.38%
<b>Rockfish Seafood Grill, Inc.</b>					
	Richardson, TX				
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 <sup>(2) (3) (5) (7)</sup>	Casual Dining	\$ 6,352,944	6,352,944	6,910,188	30.74%
Revolving Loan, 8% Cash, due 12/31/2021 <sup>(7)</sup>		\$ 2,384,169	2,384,169	2,703,315	12.03%
<b>Rockfish Holdings, LLC</b>					
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 <sup>(5) (7)</sup>		10.0%	414,960	-	-%
Membership Interest – Class A <sup>(5) (7)</sup>		99.997%	3,734,636	-	-%
Total			12,886,709	9,613,503	42.77%
<b>Total control investments</b>			27,486,442	14,280,391	63.53%
<b>Non-control/non-affiliate investments</b>					
<b>Great Value Storage, LLC</b>					
	Austin, TX				
First Lien Loan, 12.0% cash, 2.0% PIK, due 12/31/2018 <sup>(2) (3) (5) (7) (8)</sup>	Storage Company Property Management	\$ 6,800,586	6,800,586	5,057,932	22.50%

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2020 (Continued)

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value <sup>(1)</sup>	% of Net Assets
<b>Non-control/non-affiliate investments (continued)</b>					
<b>Performance Alloys, LLC</b>	Houston, TX				
Second Lien Loan, 10% Cash, due 9/30/2022 <sup>(2)(5)(7)(9)</sup>	Nickel Pipe, Fittings & Flanges	\$ 6,750,000	\$ 6,750,000	\$ 2,227,500	9.91%
Membership Interest – Class B <sup>(5) (7)</sup>		25.97%	5,131,090	-	-%
Total			11,881,090	2,227,500	9.91%
<b>Rampart Detection Systems, Ltd.</b>	British Columbia, Canada				
Common Stock Shares <sup>(4) (5)</sup>	Security	600,000	1,200	1,200	0.01%
<b>Total non-control/non-affiliate investments</b>			18,682,876	7,286,632	32.42%
<b>Total Portfolio Investments</b>			46,169,318	21,567,023	95.95%
<b>Total Investments</b>			\$ 46,169,318	\$ 21,567,023	95.95%

(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, 2020, less than 1% of the total fair value of investments represents non-qualifying assets.

(5) Investment is non-income producing as of December 31, 2020.

(6) Represents an illiquid investment. At December 31, 2020, 100% of the total fair value of portfolio investments are illiquid.

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

(8) On March 14, 2019, the Company filed a lawsuit against Great Value Storage, LLC due to a breach of contract. See Note 8 of the Notes to Financial Statements. The Company has not received financial statements since August 2018.

(9) On September 1, 2020, the Company received notice from Performance Alloys, LLC that it was not allowed to make its monthly interest payment due to a minimum availability threshold on its revolving line of credit that it must maintain in the underlying agreements with its first lien holder

See notes to financial statements.



PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2020 (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, 2020.

Geography	December 31, 2020	
	Investments at Fair Value	Percentage of Net Assets
United States	\$ 21,565,823	95.94%
Canada	1,200	0.01
<b>Total</b>	<b>\$ 21,567,023</b>	<b>95.95%</b>

Industry	December 31, 2020	
	Investments at Fair Value	Percentage of Net Assets
Casual Dining	\$ 9,613,503	42.77%
Storage Company Property Management	5,057,932	22.50
Staffing	3,008,208	13.38
Nickel Pipe, Fittings and Flanges	2,227,500	9.92
Energy Services	1,658,680	7.38
Security	1,200	-
<b>Total</b>	<b>\$ 21,567,023</b>	<b>95.95%</b>

See notes to financial statements.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2019

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value <sup>(1)</sup>	% of Net Assets
<b>Portfolio Investments <sup>(6)</sup></b>					
<b>Control investments</b>					
<b>Advantis Certified Staffing Solutions, Inc.</b>					
	Houston, TX				
Second Lien Loan, 12% Cash, due 11/30/2021 <sup>(2) (5) (7)</sup>	Staffing	\$ 4,500,000	\$ 4,500,000	\$ 2,816,265	8.46%
Unsecured loan 6.33%, due 12/31/2020 <sup>(3) (7)</sup>		\$ 1,381,586	1,381,586	-	-%
Common Stock – Series A <sup>(5) (7)</sup>		225,000	10,150	-	-%
Common Stock – Series B <sup>(5) (7)</sup>		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 <sup>(5) (7)</sup>		1	11,278	-	-%
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(5) (7)</sup>		1	-	-	-%
Total			6,331,585	2,816,265	8.46%
<b>Dominion Medical Management, Inc.</b>					
	Milwaukee, WI				
Second Lien Loan, 12.0% Cash, 6% PIK due, 3/31/2020 <sup>(2) (3) (5) (7)</sup>	Medical Business Services	\$ 1,516,144	1,516,144	1,266,245	3.80%
<b>Integrated Medical Partners, LLC</b>					
Preferred Membership, Class A units <sup>(5) (7)</sup>		800	4,196,937	-	-%
Preferred Membership, Class B units <sup>(5) (7)</sup>		760	29,586	-	-%
Common Units <sup>(5) (7)</sup>		14,082	-	-	-%
Total			5,742,667	1,266,245	3.80%
<b>PCC SBH Sub, Inc.</b>					
	Karnes City, TX				
Common stock <sup>(5) (7)</sup>	Energy Services	100	2,525,481	1,654,677	4.97%
<b>Rockfish Seafood Grill, Inc.</b>					
	Richardson, TX				
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 <sup>(2) (3) (5) (7)</sup>	Casual Dining	\$ 6,352,944	6,352,944	5,073,470	15.24%
Revolving Loan, 8% PIK, due 12/31/2020 <sup>(3) (7)</sup>		\$ 2,384,169	2,384,169	2,383,886	7.16%
<b>Rockfish Holdings, LLC</b>					
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 <sup>(5) (7)</sup>		10.0%	414,960	-	-%
Membership Interest – Class A <sup>(5) (7)</sup>		99.997%	3,734,636	-	-%
Total			12,886,709	7,457,356	22.40%
<b>Total control investments</b>			27,486,442	13,194,543	39.63%
<b>Non-control/non-affiliate investments</b>					
<b>Capital Foundry Funding, LLC</b>					
	Pittsburgh, PA				
Second Lien Loan, US Prime Rate (4.25% floor) and 8.16% collateral management fee, due 4/21/2020	Financial Services	\$ 1,000,000	1,000,000	1,000,000	3.00%
<b>Great Value Storage, LLC</b>					
	Austin, TX				
First Lien Loan, 12.0% cash, 2.0% PIK, due 12/31/2018 <sup>(2) (3) (5) (7) (8)</sup>	Storage Company Property Management	\$ 6,800,586	6,800,586	6,282,817	18.88%
<b>Lone Star Brewery Development, Inc.</b>					
	Houston, TX				
Second Lien Loan, 12.0% cash, 2.0% PIK, due 2/13/2020 <sup>(2) (3) (5) (7)</sup>	Real Estate Development	\$ 8,076,135	8,076,135	7,556,556	22.71%

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2019 (Continued)

Investments	Headquarters / Industry	Principal Amount/ Shares/ % Ownership	Amortized Cost	Fair Value <sup>(1)</sup>	% of Net Assets
<b>Non-control/non-affiliate investments (continued)</b>					
<b>Performance Alloys, LLC</b>	Houston, TX				
Second Lien Loan, 10% cash, due 9/30/2022 <sup>(7)</sup>	Nickel Pipe,	\$ 6,750,000	\$ 6,750,000	\$ 5,317,386	15.98%
Membership Interest – Class B <sup>(5) (7)</sup>	Fittings & Flanges	25.97%	5,131,090	-	-%
Total			11,881,090	5,317,386	15.98%
<b>Rampart Detection Systems, Ltd.</b>	British Columbia, Canada				
Common Stock Shares <sup>(4) (5)</sup>	Security	600,000	1,200	1,200	-%
<b>Total non-control/non-affiliate investments</b>			27,759,011	20,157,959	60.57%
<b>Total Portfolio Investments</b>			55,245,453	33,352,502	100.20%
<b>Total Investments</b>			\$ 55,245,453	\$ 33,352,502	100.20%

(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, 2019, less than 1% of the total fair value of investments represents non-qualifying assets.

(5) Investment is non-income producing as of December 31, 2019.

(6) Represents an illiquid investment. At December 31, 2019, 100% of the total fair value of portfolio investments are illiquid.

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

(8) On March 14, 2019, the Company filed a lawsuit against Great Value Storage, LLC due to a breach of contract. See Note 8 of the Notes to Financial Statements. The Company has not received financial statements since August 2018.

PRINCETON CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS as of December 31, 2019 (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, 2019.

Geography	December 31, 2019	
	Investments at Fair Value	Percentage of Net Assets
United States	\$ 33,351,302	100.20%
Canada	1,200	0.00
<b>Total</b>	<b>\$ 33,352,502</b>	<b>100.20%</b>

Industry	December 31, 2019	
	Investments at Fair Value	Percentage of Net Assets
Casual Dining	\$ 7,457,356	22.40%
Real Estate Development	7,556,556	22.71
Storage Company Property Management	6,282,817	18.88
Nickel Pipe, Fittings and Flanges	5,317,386	15.98
Staffing	2,816,265	8.46
Medical Business Services	1,266,245	3.80
Energy Services	1,654,677	4.97
Financial Services	1,000,000	3.00
Security	1,200	-
<b>Total</b>	<b>\$ 33,352,502</b>	<b>100.20%</b>

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**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. 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”). A goal of a BDC 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 2020 tax year and will be taxed as a corporation under Subchapter C of the Code and does not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved. While we have sought to invest primarily in private small and lower middle-market companies in various industries through first lien loans, second lien loans, unsecured loans, unitranche and mezzanine debt financing, often times with a corresponding equity investment, we are now (with a strategic alternatives process underway and limited resources) investing only in current investments and otherwise conserving cash. 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 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. The House Hanover Investment Advisory Agreement was last annually renewed by the Board and by 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 the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act and the House Hanover Investment Advisory Agreement on May 13, 2020.

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).

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

On November 15, 2019, our Board announced that the Company has initiated a strategic review process to identify, examine, and consider a range of strategic alternatives available to the Company, including but not limited to, (i) selling the Company's assets to a business development company or other potential buyer, (ii) merging with another business development company, (iii) liquidating the Company's assets in accordance with a plan of liquidation, (iv) raising additional funds for the Company, or (v) otherwise entering into another business combination, with the objective of maximizing stockholder value. As of December 31, 2020 and through the date of filing this Annual Report, the Company has not entered into any agreements regarding any strategic alternative.

**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, 2020, the Company had control investments in Advantis Certified Staffing Solutions, Inc., PCC SBH Sub, Inc., Rockfish Holdings, LLC, Rockfish Seafood Grill, Inc., Integrated Medical Partners, LLC and Dominion Medical Management, Inc. as defined under the 1940 Act. As of December 31, 2019, the Company had control investments in Advantis Certified Staffing Solutions, Inc., PCC SBH Sub, Inc., Rockfish Holdings, LLC, Rockfish Seafood Grill, Inc., Integrated Medical Partners, LLC and Dominion Medical Management, Inc. as defined under the 1940 Act.

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.

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**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.
- 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.

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.

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.

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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. Beginning with the period ending June 30, 2019, the Company engaged a new third-party valuation firm to perform its independent valuations of the Company's Level 3 investments. This valuation firm provides a range of values for selected investments, which is presented to the Valuation Committee to determine the value for each of the selected investments.

**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 on investments.



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*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.

**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.

The following table provides a reconciliation of cash and restricted cash reporting within the statements of assets and liabilities that sum to the total of the same such amounts shown in the statements of cash flows:

	<b>December 31 2020</b>	<b>December 31, 2019</b>
Cash	\$ 1,725,700	\$ 357,692
Restricted Cash	25,530	25,294
<b>Total Cash and Restricted Cash</b>	<b>\$ 1,751,230</b>	<b>\$ 382,986</b>

As of December 31, 2020 and December 31, 2019 restricted cash consisted of cash held for deposit with the law firm that represents the Company in its litigation with Great Value Storage, LLC.

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**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. As of December 31, 2020 and December 31, 2019, the Company did not purchase any U.S. Treasury Bills. The Company does not expect to meet the qualifications of a RIC nor anticipate buying U.S. Treasury Bills until such time as certain strategic alternatives are achieved.

**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 the 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, 2020, 2019 and 2018 was \$27,152, \$26,421 and \$44,872, respectively.

Other income from non-investment sources is generally comprised of interest income earned on cash in the Company's bank account. For the year ended December 31, 2020, \$86,920 of the other income from non-investment sources resulted from the reversal of previously accrued valuation fees. 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.

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**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, 2020, 2019 and 2018 PIK interest was \$21,804, \$211,102 and \$188,353, 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, 2020, 2019 and 2018 and through the date of issuance of this report, no dividends have been paid out to stockholders.

**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**

Legal fees invoiced to the Company for the years ended December 31, 2020 and December 31, 2019, were incurred in the normal operating course of business and are included in legal fees on the Statements of Operations.

The Company incurred legal fees related to the lawsuit against Great Value Storage, LLC (“GVS”). The amounts invoiced to the Company for the years ended December 31, 2020 and 2019 were \$64,069 and \$106,727, respectively. These amounts are recoverable per the loan agreements and are invoiced to GVS and included in the account Due from portfolio companies on the Statements of Assets and Liabilities.

**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 (the “Code”), for its 2019 and 2018 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 2019 and 2018 tax years and was taxed as a corporation under the Code. The failure to qualify as a RIC, however, did not impact the 2019 tax year as the Company used net operating losses and capital losses from 2018 that it carried forward to offset taxable income. The failure to qualify as a RIC also did not impact the 2018 tax year as the Company incurred tax losses. As a result of the losses incurred for the year ended December 31, 2018, 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 did not meet the qualifications of a RIC for the 2020 tax year and will be taxed as a corporation under the Code. It may not be in the best interests of the Company’s stockholders to elect to be taxed as a RIC at the present time due to the net operating losses and capital loss carryforwards the Company currently has. Further, we do not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved. 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. While the Company does not expect to meet the qualifications of a RIC until such time as certain strategic alternatives are achieved, it can still declare a dividend even though it is not required to do so.

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.

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**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, 2020, 2019 and 2018 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 earnings (loss) per share is computed by dividing earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing earnings (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, 2020, 2019 and 2018, 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 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 (the "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 has evaluated the new guidance, but does not expect the adoption of this guidance to have a material impact on the Company's financial statements.

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**NOTE 3 – RISK FACTORS**

**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.

**COVID Risk**

The Company is subject to risks associated with unforeseen events, including but not limited to, natural disasters, acts of terrorism and the emergence of pandemic or other public health emergencies, which could create economic, financial and business disruptions. Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Company's operations and performance. These circumstances may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Company will depend on future developments, which are highly uncertain and cannot be predicted.

**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, 2020, 2019, and 2018.

	For the Year Ended December 31,		
	2020	2019	2018
<b>Per Share Data <sup>(1)</sup>:</b>			
Net increase (decrease) in net assets resulting from operations	\$ (10,800,789)	\$ (8,274,622)	\$ 147,412
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	\$ (0.090)	\$ (0.069)	\$ 0.001
Diluted	\$ (0.090)	\$ (0.069)	\$ 0.001

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

**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, 2020 and 2019:

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Portfolio Investments</b>				
First Lien Loans	\$ -	\$ -	\$ 14,671,435	\$ 14,671,435
Second Lien Loans	-	-	5,235,708	5,235,708
Equity	-	-	1,659,880	1,659,880
<b>Total Portfolio Investments</b>	-	-	21,567,023	21,567,023
<b>Total Investments</b>	\$ -	\$ -	\$ 21,567,023	\$ 21,567,023

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	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Portfolio Investments</b>				
First Lien Loans	\$ -	\$ -	\$ 13,740,173	\$ 13,740,173
Second Lien Loans	-	-	17,956,452	17,956,452
Unsecured Loans	-	-	-	-
Equity	-	-	1,655,877	1,655,877
<b>Total Portfolio Investments</b>	-	-	33,352,502	33,352,502
<b>Total Investments</b>	\$ -	\$ -	\$ 33,352,502	\$ 33,352,502

During the years ended December 31, 2020 and 2019, 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, 2020 are as follows:

	First Lien Loans	Second Lien Loans	Unsecured Loans	Equity	Total
Fair value at beginning of year	\$ 13,740,173	\$ 17,956,452	\$ -	\$ 1,655,877	\$ 33,352,502
Purchases of investments	-	90,537	-	-	90,537
Sales or repayment of investments	-	(1,663,690)	(21,804)	-	(1,685,494)
Payment-in-kind interest	-	-	21,804	-	21,804
Realized loss on investments	-	(7,502,982)	-	-	(7,502,982)
Change in unrealized gain (loss) on investments	931,262	(3,644,609)	-	4,003	(2,709,344)
Transfer due to restructuring	-	-	-	-	-
Fair value at end of year	\$ 14,671,435	\$ 5,235,708	\$ -	\$ 1,659,880	\$ 21,567,023
Change in unrealized gain (loss) on Level 3 investments still held as of December 31, 2020	\$ 931,262	\$ (828,344)	\$ (2,816,265)	\$ 4,003	\$ (2,709,344)

Changes in Level 3 assets measured at fair value for the year ended December 31, 2019 are as follows:

	First Lien Loans	Second Lien Loans	Unsecured Loans	Equity	Total
Fair value at beginning of year	\$ 14,022,163	\$ 18,103,815	\$ 1,102,463	\$ 5,355,494	\$ 38,583,935
Purchases of investments	430,000	1,586,128	-	-	2,016,128
Sales or repayment of investments	-	(241,994)	(14,000)	-	(255,994)
Payment-in-kind interest	133,169	34,572	43,361	-	211,102
Change in unrealized gain (loss) on investments	(845,159)	(1,526,069)	(1,131,824)	(3,699,617)	(7,202,669)
Transfer due to restructuring	-	-	-	-	-
Fair value at end of year	\$ 13,740,173	\$ 17,956,452	\$ -	\$ 1,655,877	\$ 33,352,502
Change in unrealized gain (loss) on Level 3 investments still held as of December 31, 2019	\$ (845,159)	\$ (1,526,069)	\$ (1,131,824)	\$ (3,699,617)	\$ (7,202,669)

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The following table provides quantitative information regarding Level 3 fair value measurements as of December 31, 2020:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average)
<b>First Lien Loans</b>	\$ 5,057,932	Discounted Cash Flow	Discount Rate	60.0%-70.0%(65.0%)
	9,613,503	Enterprise Value Coverage	EV / Store level EBITDAR	5.00x-5.50x(5.25x)
			Location Value	\$750,000-\$850,000 (\$800,000)
<i>Total</i>	<u>14,671,435</u>			
<b>Second Lien Loans</b>	3,008,208	Enterprise Value Coverage	EV / LQA Revenue Multiple	0.38x-0.43x(0.40x)
			EV / LQA EBITDA Multiple	6.00x-6.50x(6.25x)
			EV / 2021 Adjusted Revenue	0.65x-0.65x(0.65x)
	2,227,500	Black-Scholes	Time Horizon	0.00x-1.75years(0.88years)
			Volatility	57.50%-57.50%(57.50%)
<i>Total</i>	<u>5,235,708</u>			
<b>Unsecured Loans</b>	-	Enterprise Value Coverage	EV/LQA Revenue Multiple	0.38x-0.43x(0.40x)
			EV/LQA EBITDA Multiple	6.00x-6.50x(6.25x)
<i>Total</i>	<u>-</u>			
<b>Equity</b>	-	Enterprise Value Coverage	EV / LTM Revenue multiple	0.38x-0.43x(0.40x)
			EV/LQA EBITDA Multiple	6.00x-6.50x(6.25x)
			EV / 2021 Adjusted Revenue	0.65x-0.65x (0.65x)
			EV / STORE LEVEL EBITDAR	5.00x-5.50x(5.25x)
			Location Value	\$750,000-\$850,000 (\$800,000)
	1,658,680	Appraisal Value Coverage	Cost Approach	\$1,296,000-\$1,584,000 (\$1,440,000)
			Sales Comparison Approach	\$1,296,000-\$1,584,000 (\$1,440,000)
		Black-Scholes	Time Horizon	0.00-1.75 years(0.88years)
			Volatility	57.50%-57.50%(57.50%)
<i>Total</i>	<u>1,658,680</u>			
<b>Total Level 3 Investments</b>	<u>\$ 21,565,823</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, 2020.

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The following table provides quantitative information regarding Level 3 fair value measurements as of December 31, 2019:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average)
<b>First Lien Loans</b>	\$ 6,282,817	Discounted Cash Flow	Discount Rate	30.0%-40.0%(35.0%)
	7,457,356	Enterprise Value Coverage	EV / Store level EBITDAR	4.50x-5.00x(4.75x)
			Location Value	\$750,000-\$850,000 (\$800,000)
<i>Total</i>	<u>13,740,173</u>			
<b>Second Lien Loans</b>	11,215,250	Discounted Cash Flow	Discount Rate	12.65%-23.0%(19.19%)
	6,741,202	Enterprise Value Coverage	EV / LTM Revenue multiple	0.33x-0.38x(0.35x)
			EV / 2020 Adjusted Revenue	0.55x-0.65x(0.60x)
			EV / MTD Annualized EBITDA	7.00x-8.00x(7.50x)
			EV / CFY EBITDA	9.50x-10.00x(9.75x)
<i>Total</i>	<u>17,956,452</u>			
<b>Unsecured Loans</b>	-	Enterprise Value Coverage	EV / LTM Revenue multiple	0.33x-0.38x(0.35x)
<i>Total</i>	<u>-</u>			
<b>Equity</b>	-	Enterprise Value Coverage	EV / LTM Revenue multiple	0.33x-0.38x(0.35x)
			EV / 2020 Adjusted Revenue	0.33x-0.38x(0.35x)
			EV / MTD Annualized EBITDA	7.00x-8.00x (7.5x)
			EV / CFY EBITDA	9.50x-10.00x(9.75%)
			EV / STORE LEVEL EBITDAR	4.50x-5.00x(4.75%)
			Location Value	\$750,000-\$850,000 (\$800,000)
	1,654,677	Appraisal Value Coverage	Cost Approach	\$1,341,000-\$1,639,000 (\$1,490,000)
			Sales Comparison Approach	\$1,485,000-\$1,815,000 (\$1,650,000)
<i>Total</i>	<u>1,654,677</u>			
<b>Total Level 3 Investments</b>	<u>\$ 33,351,302</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, 2019.

As of December 31, 2020 and December 31, 2019, 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 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.

**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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current expense (benefit)	\$ 1,816	\$ (19,024)	\$ 17,861
Deferred expense (benefit)	-	-	-
Total expense (benefit)	<u>\$ 1,816</u>	<u>\$ (19,024)</u>	<u>\$ 17,861</u>

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The components of deferred tax assets and liabilities at December 31, 2020, 2019 and 2018 were as follows:

<b>Deferred tax assets:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net operating loss carryforward	\$ 396,954	\$ 372,913	\$ 113,837
Net capital loss carryforwards	2,665,878	1,111,365	1,569,792
Other	294,142	177,906	-
Basis differences in investments	3,649,990	3,113,564	3,504,134
<b>Total gross deferred tax assets</b>	<b>7,006,963</b>	<b>4,775,748</b>	<b>5,187,763</b>
Less: Valuation allowance	(7,006,963)	(4,775,748)	(5,187,763)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As of December 31, 2020 and 2019, the total amount of federal net operating loss carryforwards was approximately \$1,890,256 and \$1,775,776, respectively. The federal net operating loss carryforwards in the amount of \$741,630 will expire in 2037. The federal net operating loss carryforwards in the amount of \$1,148,627 will not expire, but can only be used to offset 80% of taxable income. As of December 31, 2020 and 2019, the total amount of federal capital loss carryforwards was approximately \$12,694,655 and \$5,292,216, respectively. The federal capital loss carryforwards in the amount of \$5,186,887, \$4,785, and \$7,502,983 will expire in 2021, 2023, and 2025, respectively.

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, 2020, 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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Federal statutory tax rate	21.00%	21.00%	21.00%
Federal payable true up	-	0.23	7.00
State tax, net of federal tax benefit	-	-	3.80
Permanent items	0.01	0.06	-
Deferred true-up	(0.35)	(13.11)	-
Rate change	-	(13.04)	(37.80)
Increase in valuation allowance	(20.66)	8.05	19.10
Other	-	(2.96)	(2.30)
<b>Effective tax rate</b>	<b>-%</b>	<b>0.23%</b>	<b>10.80%</b>

The Company did not meet the qualifications of a RIC for the 2020 tax year and will be taxed as a corporation under Subchapter C of the Code. It may not be in the best interests of the Company's stockholders to elect to be taxed as a RIC at the present time 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. 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.

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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, if the Company qualifies, to 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, 2020, 2019, and 2018, 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**

**House Hanover Investment Advisory Agreement**

House Hanover has served as the Company's investment advisor since January 1, 2018 pursuant to the Interim Investment Advisory Agreement (until May 31, 2018) and the House Hanover Investment Advisory Agreement (since May 31, 2018). House Hanover is registered as an investment advisor under the 1940 Act.

***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.

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***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.

Management fees under the House Hanover Investment Advisory Agreement for the years ended December 31, 2020, 2019 and 2018 were \$266,984, \$364,135 and \$402,750, respectively. As of December 31, 2020, and 2019, management fees of \$552,121 and \$285,138, 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 bears 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;

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- 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 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 was last annually renewed by the Board and by 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 the 1940 Act) of any such party, in accordance with the requirements of the 1940 Act and the House Hanover Investment Advisory Agreement on May 13, 2020.

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.

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***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.

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 providing services, the Company pays the Sub-Administrator an asset-based fee with a \$125,000 annual minimum as adjusted for any reimbursement of expenses. This annual minimum was amended in the service agreement on April 20, 2019 and effective as of July 1, 2019. This asset-based fee will vary depending upon our gross assets, as adjusted, as follows:

<b>Gross Assets</b>	<b>Fee</b>
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 \$270,000, \$270,000 and \$264,000 for the years ended December 31, 2020, 2019 and 2018, respectively, and sub-administration fees were \$126,324, \$137,500 and \$150,000 for the years ended December 31, 2020, 2019 and 2018, respectively, as shown on the Statements of Operations under administration fees.

***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, 2020, none of the portfolio companies had accepted our offer for such services.

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**NOTE 8 – FINANCIAL HIGHLIGHTS**

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Per Share Data <sup>(1)</sup>:</b>					
Net asset value at beginning of period	\$ 0.276	\$ 0.345	\$ 0.344	\$ 0.365	\$ 0.400
Net investment income (loss)	(0.005)	(0.009)	0.009	0.008	(0.004)
Change in unrealized gain (loss)	(0.022)	(0.060)	(0.007)	(0.035)	(0.019)
Realized gain (loss)	(0.062)	-	(0.001)	0.006	(0.012)
Net asset value at end of period	\$ 0.187	\$ 0.276	\$ 0.345	\$ 0.344	\$ 0.365
Total return based on net asset value <sup>(2)</sup>	(32.60)%	(20.0)%	0.3%	(5.8)%	(8.8)%
Weighted average shares outstanding for period, basic	120,486,061	120,486,061	120,486,061	120,486,061	120,486,061
<b>Ratio/Supplemental Data:</b>					
Net assets at end of period	\$ 22,479,540	\$ 33,280,329	\$ 41,554,951	\$ 41,407,539	\$ 43,985,319
Average net assets	\$ 25,276,013	\$ 38,504,249	\$ 41,416,562	\$ 42,634,685	\$ 46,991,446
Total operating expenses to average net assets	6.2%	5.8%	5.4%	3.8%	5.8%
Net operating expenses to average net assets <sup>(3)</sup>	6.2%	5.8%	5.4%	3.3%	5.8%
Net operating expenses excluding management fees, incentive fees, and interest expense to average net assets	5.2%	4.9%	4.3%	2.8%	4.3
Net operating expenses excluding management fees, incentive fees, and interest expense to average net assets, excluding management fee waiver	5.2%	4.9%	4.3%	3.2%	4.3
Net investment income (loss) to average net assets	(2.7)%	(2.8)%	2.5%	2.4%	(1.1)%
Net investment income (loss) to average net assets, excluding management fee waiver	(2.7)%	(2.8)%	2.5%	1.9%	(1.1)%
Net investment income (loss) to average net assets, excluding other income from non-investment sources	(3.0)%	(2.8)%	2.5%	0.1%	(1.1)%
Net investment income (loss) to average net assets, excluding other income from non-investment sources, excluding management fee waiver	(3.0)%	(2.8)%	2.5%	(0.4)%	(1.1)%
Net increase (decrease) in net assets resulting from operations to average net assets	(42.7)%	(21.5)%	0.4%	(6.0)%	(9.0)%
Portfolio Turnover	0.4%	0.7%	0.5%	7.0%	1.1%

(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.

**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, 2020. 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 approximately \$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, 2020, the guaranteed amount was reduced to \$0, and there are no further guaranteed amounts.

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***Legal Proceedings***

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. Other than the Great Value Storage Litigation described below, the Company is not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

**Great Value Storage Litigation**

On March 14, 2019, we filed a complaint against Great Value Storage, LLC ("GVS"), World Class Capital Group, LLC ("World Class"), and Natin Paul, which we refer to collectively as the GVS Defendants, in the District Court for Harris County, Texas. GVS is one of the Company's portfolio companies. The complaint alleges that the GVS defendants are in breach of certain contractual obligations under a Note Purchase Agreement entered into between the parties on July 31, 2012, as amended (the "Note Purchase Agreement"), including failure to make payments owed to the Company under the Note Purchase Agreement. The Company seeks (i) actual damages, (ii) special, statutory, or exemplary damages, (iii) pre-judgment interest, (iv) post-judgment interest, (v) court costs, (vi) reasonable attorneys' fees, and (vii) all other relief to which the Company may be entitled to under law or equity. On April 15, 2019, the GVS Defendants filed an Answer with Request for Disclosure. On January 22, 2021 the Harris County District Court granted the Company's Motion for Partial Summary Judgment on its breach of contract claim against GVS and World Class. On March 4, 2021, the Final Judgment Order was entered awarding damages to the Company in the amount of \$9,910,601. On March 9, 2021, the Harris County District Court granted the Company's Motion to Sever Remaining Claims. These remaining claims are pending in the Harris County District Court. The Company has not received financial statements from GVS since August 2018. Because of the inherent uncertainty of litigation, the fair market value of our investment in GVS may be materially lower than the value included in our financial statements.

**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 controlled 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.

The Company has determined that Rockfish Seafood Grill, Inc., a majority owned or control investment, was considered a significant subsidiary at the 20% level at December 31, 2020 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 year ended December 30, 2020. See "Item 15. Exhibits And Financial Statement Schedules."

Due to economic events surrounding the COVID-19 virus, its impact on the economy and specifically the restaurant industry, Rockfish Seafood Grill, Inc. was unable to complete its audit for the fiscal year ended December 25, 2019 without unreasonable effort and expense. Summarized financial information was previously disclosed in the Company's 2019 Form 10-K filed on March 30, 2020. The audited financial statements of Rockfish Seafood Grill, Inc., for the year ended December 26, 2018, were previously disclosed in the Company's 2018 Form 10-K filed on April 16, 2019.

The Company has determined that Integrated Medical Partners, LLC and Advantis Certified Staffing Solutions, Inc., two of its majority owned or control investments, were considered significant subsidiaries at the 10% level at December 31, 2020 as prescribed under Rule 4-08(g) of Regulation S-X.



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The following tables show the summarized financial information for Integrated Medical Partners, LLC. and Advantis Certified Staffing Solutions, Inc. (numbers in thousands):

**Integrated Medical Partners, LLC**

		<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
<b>Balance Sheet</b>			
Current Assets		\$ 632	\$ 907
Noncurrent Assets		67	71
Current Liabilities		5,149	5,116
Noncurrent Liabilities		680	-
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
<b>Income Statement</b>			
Net Revenue (Loss)	\$ 3,626	\$ 7,359	\$ 11,440
Gross Profit (Loss)	(522)	139	(348)
Net Income (Loss)	(993)	(450)	(915)

**Advantis Certified Staffing Solutions, Inc.**

		<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
<b>Balance Sheet</b>			
Current Assets		\$ 2,841	\$ 2,133
Noncurrent Assets		-	-
Current Liabilities		11,748	9,531
Noncurrent Liabilities		1,200	4,500
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
<b>Income Statement</b>			
Net Revenue (Loss)	\$ 6,935	\$ 12,967	\$ 13,090
Gross Profit	1,873	3,764	3,246
Net Income (Loss)	1,790	(2,410)	(885)

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**NOTE 11 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

	Quarter Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total Investment Income	\$ 175,467	\$ 265,782	\$ 229,598	\$ 234,096
Total Operating Expenses	400,173	365,936	420,996	391,217
Income tax expense	(5,191)	1,750	3,206	2,051
Net Investment Income (Loss)	(219,515)	(101,904)	(194,604)	(159,172)
Net Realized Loss on Investments	(7,416,250)	-	-	-
Net Change in Unrealized Appreciation/(Depreciation)	8,713,799	429,691	(4,287,622)	(7,565,212)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 1,078,034	\$ 327,787	\$ (4,482,226)	\$ (7,724,384)
Net Increase (Decrease) in Net Assets from Operations per Common Share:				
Basic	\$ (0.009)	\$ 0.003	\$ (0.037)	\$ (0.064)
Diluted	\$ (0.009)	\$ 0.003	\$ (0.037)	\$ (0.064)
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, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total Investment Income	\$ 269,779	\$ 262,624	\$ 325,251	\$ 287,612
Total Operating Expenses	790,121	385,806	526,494	533,822
Income tax expense (benefit)	1,345	1,425	(23,169)	1,375
Net Investment Loss	(521,687)	(124,607)	(178,074)	(247,585)
Net Realized Gain/(Loss) on Investments	-	-	-	-
Net Change in Unrealized Depreciation	(544,847)	(2,691,673)	(3,795,698)	(170,451)
Net Decrease in Net Assets Resulting from Operations	\$ (1,066,534)	\$ (2,816,280)	\$ (3,973,772)	\$ (418,036)
Net Increase (Decrease) in Net Assets from Operations per Common Share:				
Basic	\$ (0.009)	\$ (0.023)	\$ (0.033)	\$ (0.003)
Diluted	\$ (0.009)	\$ (0.023)	\$ (0.033)	\$ (0.003)
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, 2020**

	<b>Quarter Ended</b>			
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>
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 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

**NOTE 12 – SUBSEQUENT EVENTS**

**Portfolio Activity**

On March 4, 2021, the Final Judgment Order was entered, after the Harris County District Court granted the Company's Motion for Partial Summary Judgment on its breach of contract claim against Great Value Storage, LLC and World Class Capital Group, LLC, awarding damages to the Company in the amount of \$9,910,601. On March 9, 2021, the Harris County District Court granted the Company's Motion to Sever Remaining Claims. These remaining claims are pending in the Harris County District Court. (See Note 9)

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Schedule 12-14**

The table below represents the fair value of control and affiliate investments at December 31, 2019 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, 2020.

<b>Portfolio Company/Type of Investment <sup>(1)</sup></b>	<b>Principal Amount/Shares/Ownership % at December 31, 2020</b>	<b>Amount of Interest and Dividends Credited in Income</b>	<b>Fair Value at December 31, 2019</b>	<b>Purchases <sup>(2)</sup></b>	<b>Sales</b>	<b>Transfers from Restructuring/Transfers into Control Investments</b>	<b>Change in Unrealized Gains/(Losses)</b>	<b>Fair Value at December 31, 2020</b>
<b>Control Investments</b>								
<b>Advantis Certified Staffing Solutions, Inc.</b>								
Second Lien Loan, 12.0% Cash, due 11/30/2021 <sup>(3)</sup>	\$ 4,500,000	\$ -	\$ 2,816,265	\$ -	\$ -	-	\$ 191,943	\$ 3,008,208
Unsecured loan Consolidated BL Note 6.33% due 12/31/2021	\$ 1,381,586	88,038	-	21,804	(21,804)	-	-	-
Common Stock – Series A <sup>(3)</sup>	225,000	-	-	-	-	-	-	-
Common Stock – Series B <sup>(3)</sup>	9,500,000	-	-	-	-	-	-	-
Warrant for 250,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(3)</sup>	1	-	-	-	-	-	-	-
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(3)</sup>	1	-	-	-	-	-	-	-
<b>Dominion Medical Management, Inc.</b>								
Second Lien Loan, 12.0% Cash, 6% PIK due, 3/31/2020 <sup>(2)</sup> <sup>(3)</sup>	\$ 1,516,144	-	1,266,245	-	-	-	(1,266,245)	-
<b>Integrated Medical Partners, LLC</b>								
Preferred Membership – Class A units <sup>(3)</sup>	800	-	-	-	-	-	-	-
Preferred Membership – Class B units <sup>(3)</sup>	760	-	-	-	-	-	-	-
Common Units <sup>(3)</sup>	14,082	-	-	-	-	-	-	-
<b>PCC SBH Sub, Inc.</b>								
Common Stock <sup>(3)</sup>	100	-	1,654,677	-	-	-	4,003	1,658,680
<b>Rockfish Seafood Grill, Inc.</b>								
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 <sup>(3)</sup>	\$ 6,352,944	-	5,073,470	-	-	-	1,836,718	6,910,188
Revolving Loan, 8% Cash, due 12/31/2021	\$ 2,384,169	101,469	2,383,886	-	-	-	319,429	2,703,315
<b>Rockfish Holdings, LLC</b>								
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 <sup>(3)</sup>	10.000%	-	-	-	-	-	-	-
Membership Interest – Class A <sup>(3)</sup>	99.997%	-	-	-	-	-	-	-
<b>Total Control Investments</b>		<u>\$ 189,507</u>	<u>\$ 13,194,543</u>	<u>\$ 21,804</u>	<u>\$ (21,804)</u>	<u>\$ -</u>	<u>\$ 1,085,848</u>	<u>\$ 14,280,391</u>

(1) Represents an illiquid investment.

(2) Includes PIK interest.

(3) Non-income producing security.

**PRINCETON CAPITAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Schedule 12-14**

The table below represents the fair value of control and affiliate investments at December 31, 2018 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, 2019.

Portfolio Company/Type of Investment <sup>(1)</sup>	Principal Amount/Shares/ Ownership % at December 31 2019	Amount of Interest and Dividends Credited in Income	Fair Value at December 31, 2018	Purchases <sup>(2)</sup>	Sales	Transfers from Restructuring/ Transfers into Control Investments	Change in Unrealized Gains/(Losses)	Fair Value at December 31, 2019
<b>Control Investments</b>								
<b>Advantis Certified Staffing Solutions, Inc.</b>								
Second Lien Loan, 12.0% Cash, due 11/30/2021 <sup>(3)</sup>	\$ 4,500,000	\$ -	\$ 2,457,887	\$ -	\$ -	-	\$ (2,457,887)	\$ -
Unsecured loan 5%, due 12/31/2019	\$ -	30,412	652,277	-	-	(813,225)	160,948	-
Unsecured loan 5%, due 12/31/2019	\$ -	3,366	72,188	-	-	(90,000)	17,812	-
Unsecured loan 8%, due 12/31/2019	\$ -	8,975	124,115	-	-	(150,000)	25,885	-
Unsecured loan 8%, due 12/31/2019	\$ -	6,582	91,017	-	-	(110,000)	18,983	-
Unsecured loan 10.75%, due 12/31/2019	\$ -	14,071	148,866	-	-	(175,000)	26,134	-
Unsecured loan Consolidated BL Note 6.33% due 12/31/2020 <sup>(2)</sup>	\$ 1,381,586	21,994	-	-	-	1,381,586	1,434,679	2,816,265
Common Stock – Series A <sup>(3)</sup>	225,000	-	-	-	-	-	-	-
Common Stock – Series B <sup>(3)</sup>	9,500,000	-	-	-	-	-	-	-
Warrant for 250,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(3)</sup>	1	-	-	-	-	-	-	-
Warrant for 700,000 Shares of Series A Common Stock, exercise price \$0.01 per share, expires 1/1/2027 <sup>(3)</sup>	1	-	-	-	-	-	-	-
<b>Dominion Medical Management, Inc.</b>								
Second Lien Loan, 12.0% Cash, 6% PIK due, 3/31/2020 <sup>(2)</sup> <sup>(3)</sup>	\$ 1,516,144	125,900	1,029,756	620,700	(241,994)	-	(142,217)	1,266,245
<b>Integrated Medical Partners, LLC</b>								
Preferred Membership – Class A units <sup>(3)</sup>	800	-	997,272	-	-	-	(997,272)	-
Preferred Membership – Class B units <sup>(3)</sup>	760	-	42,611	-	-	-	(42,611)	-
Common Units <sup>(3)</sup>	14,082	-	6,723	-	-	-	(6,723)	-
<b>PCC SBH Sub, Inc.</b>								
Unsecured loan, 12% Cash, due 12/31/2019	\$ -	1,082	14,000	-	(14,000)	-	-	-
Common Stock <sup>(3)</sup>	100	-	1,925,722	-	-	-	(271,045)	1,654,677
<b>Rockfish Seafood Grill, Inc.</b>								
First Lien Loan, 8% Cash, 6.0% PIK, due 3/31/2018 <sup>(3)</sup>	\$ 6,352,944	-	6,689,793	-	-	-	(1,616,323)	5,073,470
Revolving Loan, 8% PIK, due 12/31/2020 <sup>(2)</sup>	\$ 2,384,169	169,811	1,465,452	563,169	-	-	355,265	2,383,886
<b>Rockfish Holdings, LLC</b>								
Warrant for Membership Interest, exercise price \$0.001 per 1% membership interest, expires 7/28/2028 <sup>(3)</sup>	10.000%	-	-	-	-	-	-	-
Membership Interest – Class A <sup>(3)</sup>	99.997%	-	-	-	-	-	-	-
<b>Total Control Investments</b>		<u>\$ 382,193</u>	<u>\$ 15,717,679</u>	<u>\$ 1,227,230</u>	<u>\$ (255,994)</u>	<u>\$ -</u>	<u>\$ (3,494,372)</u>	<u>\$ 13,194,543</u>

(1) Represents an illiquid investment.

(2) Includes PIK interest.

(3) Non-income producing security.

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 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, 2020 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

#### Director and Executive Officer Information

The following table sets forth the names, ages and positions held by each of our directors and executive officers, followed by a brief biography of each individual, including the business experience of each individual during the past five years and the specific qualifications that led to the conclusion that each individual should serve as a director.

Name	Age	Position	Director Since	Term Expires
<b>Interested Directors</b>				
Mark S. DiSalvo	66	Interim Chief Executive Officer, Interim President, and Director	2016	2021
<b>Independent Directors</b>				
Darren Stainrod	56	Chairman of the Board of Directors	2016	2021
Greg Bennett	48	Director	2016	2021
Martin Laidlaw	64	Director	2016	2021
<b>Executive Officers</b>				
Gregory J. Cannella	46	Chief Financial Officer, Secretary, and Treasurer		

**Mark S. DiSalvo**, 66, serves as our Interim Chief Executive Officer and Interim President. He was originally elected to the Company's Board on June 9, 2016 and most recently re-elected to the Board by the Company's stockholders at the 2020 Annual Meeting on December 18, 2020. He is the President and CEO of Sema4, Inc., a leading global professional services provider of private equity funds-under-management. He has been a senior executive and entrepreneur at international companies such as Euromoney Institutional Investor and Fairfield Whitney, and was founder of Hall, Berwick and DiSalvo where he provided funding and management advisory services to zero and first stage entities prior to founding Sema4. He has extensive experience in private equity, entrepreneurial management, and emerging market strategy, particularly as to underserved markets and economic development. A frequent speaker at worldwide industry conferences, he is a charter member of the Inner City Economic Forum. Mr. DiSalvo was educated at the University of Massachusetts with degrees in Political Studies and Economics and has earned the professional designations CPC and CTA. He is a long-time lecturer at the Johnson School of Business at Cornell University and the Kellogg School of Business at Northwestern University in their full-time MBA programs where he contributes case studies in private equity, emerging market economics and cross-border M&A. We believe Mr. DiSalvo's broad experience with private equity funds and early stage growth companies makes him a well-qualified member of our Board.

**Darren Stainrod**, 56, serves as the Chairman of the Company's Board and was originally elected to the Company's Board on January 18, 2016 and most recently re-elected to the Board by the Company's stockholders at the 2020 Annual Meeting on December 18, 2020. Mr. Stainrod is a Principal of Marbury Fund Services (Cayman) Limited ("Marbury"), a fiduciary services company focused on the alternative investment industry and licensed by the Cayman Islands Monetary Authority. He is registered as a director with the Authority pursuant to the Directors Licensing and Registration Law, 2014. Prior to joining Marbury, Mr. Stainrod was a Principal at HighWater Limited in Cayman for almost 3 years where he provided professional director services to hedge funds, fund of funds and private equity vehicles. Before becoming a professional director in May 2013, Mr. Stainrod spent 17 years at UBS where he was a Managing Director and the Global Head of UBS Alternative Fund Services. At UBS he had responsibility for the overall management and development of the global hedge fund administration business in seven countries with more than 300 staff servicing alternative investment funds with over \$200 billion in assets under administration. Before joining UBS, he worked for three years with Coopers & Lybrand in Cayman and four years with Deloitte in the UK. Mr. Stainrod holds a BA (Hons) in Politics from the University of Reading in the UK. He is a member of the Institute of Chartered Accountants in England and Wales and the Cayman Islands Institute of Professional Accountants. He is a past Chairman of the Cayman Islands Fund Administrators Association and is the current Treasurer of AIMA Cayman Chapter. Mr. Stainrod brings to the Board extensive experience as a director of hedge funds, fund of funds and private equity funds as well as considerable experience in the investment fund industry, all of which provide our Board with valuable insight. Mr. Stainrod serves as chairman of the Company's Nominating and Corporate Governance Committee and he is a member of the Company's Audit Committee and the Company's Valuation Committee.

**Martin Laidlaw**, 64, who was originally elected by the Board on January 18, 2016 and most recently re-elected to the Board by the Company's stockholders at the 2020 Annual Meeting on December 18, 2020, provides Director Services in and from the Cayman Islands. Martin has over 30 years of experience in the offshore financial industry and has an extensive range of experience with all forms of investment fund products and has held numerous directorship positions for a wide variety of offshore fund vehicles. Previously, Mr. Laidlaw was a Director of a Premier Fiduciary Services Company providing Directorship services. He was also a former Managing Director of a Fund Administration entity. Martin was previously employed by CIBC Bank and Trust Company (Cayman) Limited from 1989 through 2009. He was appointed Director and Head of Fund Services and was responsible for leading the fund services team and developing new business and client relationships. Prior to his years at CIBC, he was employed with KPMG, Cayman Islands where he led various financial services audits. He was a founding member, Director and Treasurer of the Cayman Islands Fund Administrators Association. Martin graduated from Edinburgh University in Scotland with a Bachelor of Commerce Degree. He was admitted as a Member of the Institute of Chartered Accountants of Scotland in February, 1984 and continues to maintain his qualification. Mr. Laidlaw's extensive experience in the financial industry, including his financial and accounting background, and his experience as a director of various offshore fund vehicles makes him well qualified to serve on our Board. Mr. Laidlaw serves as chairman of the Company's Audit Committee and he is a member of the Company's Nominating and Corporate Governance Committee and the Company's Valuation Committee.

**Greg Bennett**, 48, who was originally elected to the Company's Board on June 9, 2016 and most recently re-elected to the Board by the Company's stockholders at the 2020 Annual Meeting on December 18, 2020, is the co-founder of Danesmead Partners. Mr. Bennett has more than twenty years of experience in financial services having started his professional career with Coopers & Lybrand in Canada in 1996. From 2011 through 2014, prior to co-founding Danesmead Partners, Mr. Bennett was a Director of The Harbour Trust Co. Ltd., where he provided fiduciary services to their clients, including serving as an independent hedge fund director. In 2004 Mr. Bennett joined Butterfield Fund Services (Cayman) Limited as head of client relationship management and he became a Director of that firm in 2005. In 2008 he was promoted to Managing Director where he had responsibility for all aspects of the business, including managing over 75 staff responsible for providing full fund administration services to a wide range of hedge fund clients with in excess of \$30 billion in assets under management. In 2010 Mr. Bennett established the Cayman office of HedgeServ and held the position of Managing Director. Mr. Bennett graduated with a Bachelor of Commerce from the University of Alberta in Canada in 1995. He is a Chartered Accountant (Canada), a Certified Public Accountant (US), and a CFA Charterholder. Mr. Bennett is also a past Director of Hedge Funds Care Cayman, past Deputy Chairman of the Cayman Islands Fund Administrators Association, past Treasurer of AIMA Cayman and a past President of the CFA Society of the Cayman Islands. Mr. Bennett's considerable experience in the financial services industry and as a director of various hedge funds and his accounting background make him well qualified to serve on our Board. Mr. Bennett serves as chairman of the Company's Valuation Committee and he is a member of the Company's Nominating and Corporate Governance Committee and the Company's Audit Committee.

**Gregory J. Cannella**, 46, has served as our Chief Financial Officer, Treasurer and Secretary since March 13, 2015. Mr. Cannella resigned as Chief Financial Officer, Treasurer and Secretary of the Company at the 2016 Annual Meeting and was subsequently re-elected the following day. Mr. Cannella is responsible for financial reporting, investor communications, financial modeling and due diligence and analysis of acquisitions and dispositions. Prior to this, Mr. Cannella was the Chief Financial Officer of Capital Point Partners, a private equity group that focused on mezzanine lending to small and middle market private companies, where he was responsible for financial reporting, investor communications, financial modeling and due diligence and analysis of acquisitions and dispositions. Prior to working at Capital Point Partners, Mr. Cannella was an Asset Manager at First Commonwealth Holdings Corp., a wealth management firm in Houston, Texas where he was responsible for managing various commercial and multi-family residential real estate investment funds as well as oversight of accounting functions and reporting for the funds. Mr. Cannella received a B.B.A. in Management from Stephen F. Austin State University and an M.B.A. with honors in Accounting and Finance from the University of Houston. He is a Certified Public Accountant in the State of Texas.



### ***Information About Chief Compliance Officer***

**Florina Klingbaum** has served as our Chief Compliance Officer since January 1, 2018. Ms. Klingbaum is a Managing Member of Altemis Capital Management LLC an investment management provider specializing in compliance and regulatory services. From 2015-2016, she served as a Consultant for Nuveen Investments in New York City. During her career, Ms. Klingbaum has held senior roles at both Citigroup Global Markets as well as Credit Suisse. She has extensive experience in alternative investments, structured products and overall fund operations including fund administration, accounting, regulatory, compliance and fund liquidation services. Ms. Klingbaum started her career at KPMG LLP where she was a Senior Auditor in the Financial Services division. She holds two Masters degrees, in Accounting and Business Administration respectively, from Pace University, a BA in Sociology from the University of Toronto, and is a CPA.

### **Delinquent Section 16(a) Reports**

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the disclosure requirements of Item 405 of SEC Regulation S-K require that our directors and executive officers, and any persons holding more than 10% of any class of our equity securities report their ownership of such equity securities and any subsequent changes in that ownership to the SEC and to us.

Based solely on a review of the written statements and copies of such reports furnished to us by our executive officers, directors and greater than 10% beneficial owners, we believe that during the fiscal year ended December 31, 2020 all Section 16(a) filing requirements applicable to the executive officers, directors and greater than 10% beneficial owners were timely satisfied.

### **Code of Business Conduct and Ethics and Statement on the Prohibition of Insider Trading**

Our Code of Business Conduct and Ethics and Statement on the Prohibition of Insider Trading (the “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 which is available on our website under the “Corporate Governance” link under the “Princeton Capital Corporation” link at [www.princetoncapitalcorp.com](http://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. The Code of Ethics also contains our policies and procedures relating to insider trading and material non-public information.

### **Nomination of Directors**

There have been no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors implemented since the filing of our Proxy Statement for our 2020 Annual Meeting of Stockholders.

### **Audit Committee**

The members of the audit committee are Messrs. Laidlaw, Stainrod, and Bennett each of whom meets the independence standards established by the SEC and the NASDAQ (the “NASDAQ”) for audit committees and is independent for purposes of the 1940 Act. Mr. Laidlaw serves as chairman of the audit committee. Our Board has determined that Mr. Laidlaw is an “audit committee financial expert” as that term is defined under Item 407 of Regulation S-K of the Securities Exchange Act of 1934, as amended. The Board has adopted a charter of the audit committee, which is available in print to any stockholder who requests it and it is also available on the Company’s website at [www.princetoncapitalcorp.com](http://www.princetoncapitalcorp.com). The audit committee met four times and took action by written consent on one occasion during the year ended December 31, 2020. Each member attended 100% of the audit committee meetings that were held while the director was a member of the audit committee in 2020.

The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our Board in fair value pricing debt and equity securities that are not publicly traded or for which current market values are not readily available. The Board and audit committee utilizes the services of an independent valuation firm to help them determine the fair value of these securities. Given that the audit committee is comprised of all the independent directors on the Board, the audit committee may also be tasked with special investigations into director and/or officer conduct, conflicts of interest, or other claims impacting the Company.

## Item 11. EXECUTIVE COMPENSATION

### Compensation of Executive Officers

None of our officers receive direct compensation from the Company. Mr. DiSalvo, through his financial interest in House Hanover is entitled to receive and has received a portion of investment advisory fees paid by the Company to House Hanover under the Investment Advisory Agreement with the Company. Our other executive officers will be paid by House Hanover, subject to reimbursement by us of our allocable portion of such compensation for services rendered by such persons to the Company under the Investment Advisory Agreement. To the extent that House Hanover outsources any of its functions, we will reimburse House Hanover for the fees associated with such functions without profit or benefit to House Hanover.

### Compensation of Directors

Each independent director receives an annual fee of \$30,000. In addition, they will also receive \$1,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending in person or telephonically each regular board of directors meeting and each special telephonic meeting. They will also receive \$1,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with each committee meeting attended in person and each telephonic committee meeting. The chairmen of the audit committee, the valuation committee and the nominating and corporate governance committee will receive an annual fee of \$3,500, respectively. On March 13, 2017, the independent directors agreed to cap director's fees at \$50,000 per independent director annually, and to have an amount of \$12,500 advanced to them each quarter, subject to true up at the end of each quarter. We have obtained directors' and officers' liability insurance on behalf of our directors and officers. No compensation is paid to directors who are "interested persons."

The following table shows information regarding the compensation earned by our directors for the fiscal year ended December 31, 2020. No compensation is paid by us to any interested director or executive officer of the Company.

<u>Name</u>	<u>Aggregate Compensation from Princeton Capital Corporation</u>	<u>Pension or Retirement Benefits Accrued as Part of Company Expenses<sup>(1)</sup></u>	<u>Total Compensation from Princeton Capital Corporation</u>
<b>Interested Directors:</b>			
Mark S. DiSalvo	None	None	None
<b>Independent Directors:</b>			
Greg Bennett	\$ 50,000	None	\$ 50,000
Martin Laidlaw	\$ 50,000	None	\$ 50,000
Darren Stainrod	\$ 50,000	None	\$ 50,000

(1) We do not have a profit-sharing or retirement plan, and directors do not receive any pension or retirement benefits.

## Compensation Committee

We do not have a compensation committee or a committee performing similar functions because our executive officers do not receive any direct compensation from the Company. All decisions concerning compensation of House Hanover are made by the Board (with Mr. DiSalvo recusing himself from deliberations and voting). Executive officers of the Company are employees or independent contractors of, and are compensated by, House Hanover. Compensation payable by the Company to the Advisor is required to be approved by a majority of the Company's independent directors pursuant to Section 15(c) of the 1940 Act. Since the Audit Committee consists of a majority of the independent directors of the Company, the Company has allocated responsibility to consider the compensation paid to the Advisor to the Audit Committee.

The Nominating and Corporate Governance Committee will review the form and amount of independent director compensation at least annually and make any changes, as it deems appropriate.

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

The following table sets forth, as of March 26, 2021, the beneficial ownership of each current director, the Company's executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of the Company's common stock, and the executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of March 26, 2021 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of ownership is based on 120,486,061 shares of the Company's common stock outstanding as of March 26, 2021.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, except to the extent authority is shared by their spouses under applicable law. The address of all executive officers and directors is c/o Princeton Capital Corporation, 800 Turnpike Street, Suite 300, North Andover, Massachusetts 01845.

The Company's directors are divided into two groups - interested directors and independent directors. Interested directors are "interested persons" as defined in Section 2(a)(19) of the 1940 Act and the NASDAQ ("NASDAQ") Stock Market Rules, as the Over the Counter Pink Market ("OTCPK") exchange where the Company trades, does not establish director independence standards.

<b>Name of Beneficial Owner</b>	<b>Number of Shares Owned Beneficially<sup>(1)</sup></b>	<b>Percentage of Class<sup>(2)</sup></b>
<b>Interested Directors</b>		
Mark S. DiSalvo <sup>(3)</sup>	115,484,327	95.85%
<b>Independent Directors</b>		
Greg Bennett	0	*
Martin Laidlaw	0	*
Darren Stainrod	0	*
<b>Executive Officers</b>		
Mark S. DiSalvo <sup>(3)</sup>	115,484,327	95.85%
Gregory J. Cannella	0	*
<b>Executive officers and directors as a group</b>	115,484,327	95.85%
<b>Greater than 5% Holders</b>		
Capital Point Partners, LP <sup>(4)</sup>	104,562,000	86.78%
Capital Point Partners II, LP <sup>(4)</sup>	10,922,327	9.07%

\* Indicates less than 1%

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended.

- (2) Based on a total of 120,486,061 shares of our common stock issued and outstanding on March 26, 2021.
- (3) Mr. DiSalvo, by virtue of his ownership of all of the outstanding stock of Sema4, Inc., the general partner of Capital Point Partners, LP (“CPP”) and Capital Point Partners II, LP (“CPP II”), may be deemed to be the beneficial owner of the 104,562,000 shares of the Company’s common stock owned by CPP and the 10,922,327 shares of the Company’s common stock owned by CPP II. Mr. DiSalvo and Sema4, Inc. each disclaims beneficial ownership of any shares held by CPP and CPP II, except to the extent of their pecuniary interest therein. The address of Sema4, Inc., CPP and CPP II is 800 Turnpike Street, Suite 300, North Andover, MA 01854.
- (4) This information is based on information included in the Schedule 13D filed with the SEC.

The following table sets forth as of March 26, 2021, the dollar range of our securities owned by our directors and executive officers. The Company is not part of a “family of investment companies,” as that term is defined in Schedule 14A.

Name	Dollar Range of Equity Securities Beneficially Owned <sup>(1)(2)</sup>	Aggregate Dollar Range of Equity Securities in All Funds Overseen or to be Overseen by Director or Nominee in Family of Investment Companies
<b>Interested Director:</b>		
Mark S. DiSalvo	Over \$100,000	n/a
<b>Independent Directors:</b>		
Greg Bennett	None	n/a
Martin Laidlaw	None	n/a
Darren Stainrod	None	n/a
<b>Executive Officers:</b>		
Mark S. DiSalvo	Over \$100,000	n/a
Gregory J. Cannella	None	n/a

- (1) The dollar range of the equity securities beneficially owned is based on the closing price per share of the Company’s common stock of \$0.14 on March 26, 2021 on the OTC PK.
- (2) The dollar ranges of equity securities beneficially owned are: none; \$1–\$10,000; \$10,001–\$50,000; \$50,001–\$100,000; and over \$100,000.

We also note that Florina Klingbaum, our Chief Compliance Officer, does not own any securities of the Company.

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

##### Transactions with Related Persons

We have procedures in place for the review, approval and monitoring of transactions involving us and certain persons related to us. As a business development company, the 1940 Act restricts us from participating in transactions with any persons affiliated with us, including our officers, directors, and employees and any person controlling or under common control with us or our affiliates, subject to certain exceptions. In the ordinary course of business, we may enter into transactions with portfolio companies that may be considered related party transactions. We have implemented certain procedures, both written and unwritten, to ensure that we do not engage in any prohibited transactions with any persons affiliated with us. If such affiliations are found to exist, we will seek Board and/or committee review and approval or exemptive relief for such transactions, as appropriate. In accordance with NASDAQ Rule 5630, an independent body of the Board shall be responsible for conducting an appropriate review and oversight of all related party transactions. The Board has delegated this responsibility to the Audit Committee.

As disclosed in various filings with the SEC, House Hanover has served as the Company's investment advisor since January 1, 2018 under an Interim Investment Advisory Agreement that took effect on January 1, 2018 and terminated on May 30, 2018 (the "Interim Investment Advisory Agreement") and an Investment Advisory Agreement that took effect on May 31, 2018 (the "Investment Advisory Agreement"). The Investment Advisory Agreement was approved by the Company's stockholder at the 2018 Annual Meeting of Stockholders. The value of the Interim Investment Advisory Agreement and the Investment Advisory Agreement was determined based on a management fee. The amount of management fees accrued to House Hanover for the fiscal year ended December 31, 2020, under the Investment Advisory Agreement were \$266,984. In addition to compensation based on a management fee, the Investment Advisory Agreement also provides for, subject to approval by the Board of Directors, 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 ("Administration Expenses"). The amount of administration expenses accrued for House Hanover for the fiscal year ended December 31, 2020 under the Investment Advisory Agreement was \$270,000. House Hanover is controlled by Mr. DiSalvo.

Mr. DiSalvo owns all of the interests in Sema4, Inc., the general partner of Capital Point Partners, LP and Capital Point Partners II, LP, which own approximately 87% and 9% of our common stock, respectively.

#### **Review, Approval or Ratification of Transactions with Related Persons**

We have also adopted a Code of Business Conduct and Ethics which applies to, among others, our senior officers, including our Chief Executive Officer and Chief Financial Officer, as well as all of our officers, directors and employees. Our Code of Business Conduct and Ethics requires that all employees and directors avoid any conflict, or the appearance of a conflict, between an individual's personal interests and our interests. Pursuant to our Code of Business Conduct and Ethics, each employee and director must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict. Our Audit Committee is charged with approving any waivers under our Code of Ethics.

#### **Director Independence**

In accordance with rules of the NASDAQ, the Board annually determines the independence of each director. No director is considered independent unless the Board has determined that he or she has no material relationship with the Company. The Company monitors the status of its directors and officers through the activities of the Company's nominating and corporate governance committee and through a questionnaire to be completed by each director no less frequently than annually (and most recently in February of 2020), with updates periodically if information provided in the most recent questionnaire has changed.

In order to evaluate the materiality of any such relationship, the Board uses the definition of director independence set forth in the rules promulgated by the NASDAQ Stock Market. Rule 5605(a)(2) provides that a director of a business development company ("BDC") shall be considered to be independent if he or she is not an "interested person" of the Company, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company.

The Board has determined that each of the directors is independent and has no relationship with the Company, except as a director and stockholder of the Company, with the exception of Mr. DiSalvo. Mr. DiSalvo is an interested person of the Company due to his interests in House Hanover, our investment advisor, his position as Interim Chief Executive Officer and Interim President of the Company, and his interests in Sema4, Inc., the general partner of Capital Point Partners, LP and Capital Point Partners II, LP, which own approximately 87% and 9% of our common stock, respectively.

**Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES****Independent Registered Public Accounting Firm****PRINCIPAL ACCOUNTANT FEES AND SERVICES****(fiscal year ended December 31, 2020)**

The following aggregate fees by WithumSmith, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2020, were billed to the Company for work attributable to audit, tax and other services.

	<b>WithumSmith Fiscal Year Ended December 31, 2020</b>
Audit Fees	\$ 197,550
Audit-Related Fees	-
Tax Fees	-
All Other Fees	-
<b>Total Fees:</b>	<b>\$ 197,550</b>

Services rendered by WithumSmith in connection with fees presented above were as follows:

**Audit Fees.** Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for the audit of our annual financial statements, the audit of the effectiveness of our internal control over financial reporting and the review of our quarterly financial statements in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC.

**Audit-Related Fees.** Audit related fees are assurance related services that traditionally are performed by the independent accountant, such as attest services that are not required by statute or regulation.

**Tax Fees.** Tax fees include professional fees for tax compliance and tax advice.

**All Other Fees.** Fees for other services would include fees for products and services other than the services reported above.

In the fiscal year 2020, the percentage of services designated for Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees that were approved by the audit committee were 100%, 0%, 0%, and 0%, respectively.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

(fiscal year ended December 31, 2019)

The following aggregate fees by WithumSmith, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2019, were billed to the Company for work attributable to audit, tax and other services.

	WithumSmith Fiscal Year Ended December 31, 2019
Audit Fees	\$ 284,020
Audit-Related Fees	-
Tax Fees	-
All Other Fees	-
<b>Total Fees:</b>	<b>\$ 284,020</b>

Services rendered by WithumSmith in connection with fees presented above were as follows:

**Audit Fees.** Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for the audit of our annual financial statements, the audit of the effectiveness of our internal control over financial reporting and the review of our quarterly financial statements in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC.

**Audit-Related Fees.** Audit related fees are assurance related services that traditionally are performed by the independent accountant, such as attest services that are not required by statute or regulation.

**Tax Fees.** Tax fees include professional fees for tax compliance and tax advice.

**All Other Fees.** Fees for other services would include fees for products and services other than the services reported above.

In the fiscal year 2019, the percentage of services designated for Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees that were approved by the audit committee were 100%, 0%, 0%, and 0%, respectively.

### Pre-Approval Policy

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by the Company's independent registered public accounting firm. The policy requires that the Audit Committee pre-approve all audit and non-audit services performed by the independent auditor in order to assure that the provision of such service does not impair the auditor's independence. In accordance with the pre-approval policy, the Audit Committee includes every year a discussion and pre-approval of such services and the expected costs of such services for the year.

Any requests for audit, audit-related, tax and other services that have not received general pre-approval at the first Audit Committee meeting of the year must be submitted to the Audit Committee for specific pre-approval, irrespective of the amount, and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management.

## 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:

Report of Independent Registered Public Accounting Firm	
<a href="#">Statements of Assets and Liabilities as of December 31, 2020 and December 31, 2019</a>	F-2
<a href="#">Statements of Operations for the years ended December 31, 2020, 2019 and 2018</a>	F-3
<a href="#">Statements of Changes in Net Assets for the years ended December 31, 2020, 2019 and 2018</a>	F-4
<a href="#">Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018</a>	F-5
<a href="#">Schedule of Investments as of December 31, 2020</a>	F-6
<a href="#">Schedule of Investments as of December 31, 2019</a>	F-9
<a href="#">Notes to the Financial Statements</a>	F-12

#### 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	<a href="#">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).</a>
3.1	<a href="#">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).</a>
3.2	<a href="#">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).</a>
3.3	<a href="#">Bylaws (Incorporated by reference from Exhibit 3.3 of the Registrant's Current Report on Form 8-K, filed on March 19, 2015).</a>
3.4	<a href="#">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).</a>
3.5	<a href="#">Third Amendment to Bylaws (Incorporated by reference from Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed on May 19, 2020).</a>
4.1	<a href="#">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).</a>
10.1	<a href="#">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).</a>
10.2	<a href="#">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).</a>
10.3	<a href="#">Dividend Reinvestment Plan (Incorporated by reference from Exhibit 10.4 of Registrant's Annual Report on Form 10-K, filed on April 15, 2015).</a>
10.4	<a href="#">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).</a>
10.5	<a href="#">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).</a>
10.6	<a href="#">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).</a>
14.1	<a href="#">Code of Ethics (Incorporated by reference from Exhibit 14.1 of Registrant's Annual Report on Form 10-K, filed on December 14, 2016).</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</a>
32*	<a href="#">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.</a>
99.1*	<a href="#">Audited Financial Statements of Rockfish Seafood Grill, Inc. as of and for the year ended December 30, 2020.</a>
99.2	<a href="#">Audited Financial Statements of Rockfish Seafood Grill, Inc. as of and for the years ended December 26, 2018 and December 27, 2017 (Incorporated by reference from Exhibit 99.1 of Registrant's Annual Report on Form 10-K, filed on April 16, 2019).</a>

\* 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: March 31, 2021

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)	March 31, 2021
<u>/s/ Gregory J. Cannella</u> Gregory J. Cannella	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2021
<u>/s/ Darren Stainrod</u> Darren Stainrod	Director	March 31, 2021
<u>/s/ Martin Laidlaw</u> Martin Laidlaw	Director	March 31, 2021
<u>/s/ Greg Bennett</u> Greg Bennett	Director	March 31, 2021

**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: March 31, 2021

/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: March 31, 2021

/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, 2020, 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: March 31, 2021

/s/ Mark S. DiSalvo

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

Date: March 31, 2021

/s/ Gregory J. Cannella

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

**Rockfish Seafood Grill, Inc.  
Consolidated Financial Statements  
Year Ended December 30, 2020  
with Report of Independent Auditors**

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Rockfish Seafood Grill, Inc.  
Consolidated Financial Statements  
Year Ended December 30, 2020

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Plano Office  
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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of  
Rockfish Seafood Grill, Inc.

We have audited the accompanying consolidated financial statements of Rockfish Seafood Grill, Inc. and its subsidiaries which comprise the consolidated balance sheet as of December 30, 2020, and the related consolidated statements of operations, stockholders' deficit, 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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 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 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.

### 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 30, 2020, and the results of their operations and their cash flows for the year then ended in conformity with GAAP.

*Whitley Penn LLP*

Plano, Texas  
March 15, 2021



Rockfish Seafood Grill, Inc.  
Consolidated Balance Sheet  
December 30, 2020

**Assets**

Current Assets	
Cash	\$ 1,063,813
Inventories	113,452
Prepaid expense and other current assets	93,994
Total current assets	<u>1,271,259</u>
Property and equipment, net	1,504,560
Other assets	
Intangibles, net	141,750
Other	60,379
Total other assets	<u>202,129</u>
Total assets	<u><u>\$ 2,977,948</u></u>

**Liabilities and Stockholder's Deficit**

Current Liabilities	
Accounts payable	\$ 1,601,244
Accrued expenses & other liabilities	1,127,199
Related party debt	10,821,200
Related party accrued interest	2,975,581
Total current liabilities	<u>16,525,224</u>
Long-term liabilities	
Paycheck protection program loan	<u>1,936,785</u>
Total liabilities	18,462,009
Commitments and contingencies	
Stockholder's deficit	
Common stock, \$.001 par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding	1
Additional paid-in capital	9,029,237
Accumulated deficit	(24,513,299)
Total stockholder's deficit	<u>(15,484,061)</u>
Total liabilities and stockholder's deficit	<u><u>\$ 2,977,948</u></u>

See accompanying notes to consolidated financial statements.



Rockfish Seafood Grill, Inc.  
Consolidated Statement of Operations  
Year Ended December 30, 2020

<b>Restaurant Revenues</b>	\$ 13,621,488
<b>Cost of Revenues</b>	<u>3,919,727</u>
Gross profit	9,701,761
<b>Operating Cost and Expenses</b>	
Restaurant expenses	9,365,948
Depreciation and amortization of property and equipment and intangibles	555,140
General and administrative	<u>338,103</u>
Total operating costs and expenses	<u>10,259,191</u>
<b>Operating Loss</b>	(557,430)
<b>Related Party Interest Expense</b>	1,341,564
<b>Provision for State Income Taxes</b>	<u>26,921</u>
<b>Net Loss</b>	<u><u>\$ (1,925,915)</u></u>

See accompanying notes to consolidated financial statements.

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Rockfish Seafood Grill, Inc.  
Consolidated Statement of Stockholder's Deficit  
Year Ended December 30, 2020

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>			
<b>Balance, December 26, 2019</b>	1,000	1	\$ 9,029,237	(22,587,384)	\$ (13,605,200)
Net loss				(1,925,915)	(1,925,915)
<b>Balance, December 30, 2020</b>	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 9,029,237</u>	<u>\$ (24,513,299)</u>	<u>\$ (15,484,061)</u>

See accompanying notes to consolidated financial statements.

Rockfish Seafood Grill, Inc.  
Consolidated Statement of Cash Flow  
Year Ended December 30, 2020

	<u>Year Ended December 30, 2020</u>
<b>Operating Activities</b>	
Net loss	\$ (1,925,915)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization of property and equipment and intangibles	555,140
Non-cash interest expense on related party debt	1,290,830
Changes in operating assets and liabilities:	
Inventories	11,385
Prepaid expenses and other current assets	(24,102)
Other assets	(36,903)
Accounts payable and accrued expenses	(749,615)
Net cash used in operating activities	<u>(879,180)</u>
<b>Investing Activities:</b>	
Purchases of property and equipment	(118,456)
Net cash used in investing activities	<u>(118,456)</u>
<b>Financing Activities</b>	
Payments on notes payable	(211,898)
Proceeds from paycheck protection program loan	1,936,785
Net cash provided by financing activities	<u>1,724,887</u>
Net increase in cash and cash equivalents	727,241
Cash, Beginning of year	336,572
Cash, End of year	<u>\$ 1,063,813</u>
<b>Supplemental Cash Flow Information</b>	
Interest paid	\$ 50,734

See accompanying notes to consolidated financial statements.

Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

**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 10 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 year ended December 30, 2020 consisted of 53 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.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

***Property and Equipment***

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are 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 year ended December 30, 2020 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 30, 2020 and no impairment charge was recorded.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

***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***

During 2020, the Company adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASC 606") which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASC 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new revenue guidance defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The guidance requires improved disclosures to help users of the financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this guidance using the modified retrospective approach on December 26, 2019.

The adoption of the standard did not have a material impact on the amounts reported in the financial statements, and the Company has determined that there will be no cumulative effect adjustment to retained earnings.

The Company's revenue is primarily generated from the sale of food, beverage and alcohol and is recognized when the product is sold as this is the point in time that control of the product transfers to the customer. Revenue is presented net of any taxes collected from customers and remitted to government entities. Customer payments are generally due at the time of sale.

***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.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

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. The Company did not incur any penalties or interest during 2020.

***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 year ended December 30, 2020 totaled approximately \$42,539 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.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

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, 2021. The Company is evaluating the impact the standard will have on the consolidated financial statements.

**Note 2: Liquidity Matters and Management's Plans**

The Company incurred a net loss of approximately \$1,925,000 during the year ended December 30, 2020. On December 30, 2020, the Company had a working capital deficiency of approximately \$15,254,000 including related party debt and accrued interest of approximately \$13,797,000

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 \$2,251,000 at December 30, 2020. The note bears interest at 8%, matured June 29, 2017 and was extended to December 31, 2020. Effective December 31, 2020, Princeton extended the maturity date to December 31, 2021.

During the year ended December 30, 2020, 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 2021 positively. The Company's ability to service its debt and other obligations as they come due is dependent on continuing to improve its performance and the continued willingness of its majority owner, Princeton, to not require repayments of debt or accrued interest. Further the Company has applied for a second CARES Act PPP Loan, on March 12, 2021, in the amount of approximately \$2,000,000. These funds, along with cash on hand and cash flow from operations, will provide the Company with adequate cash available to operate the business for at least 12 months from the issuance of the consolidated financial statements.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

**Note 3: Property and Equipment**

Property and equipment consist of the following at December 30, 2020:

Leasehold improvements	\$ 6,297,449
Furniture, fixtures and computer equipment	779,595
Restaurant equipment	1,639,905
	<u>8,716,949</u>
Less accumulated depreciation and amortization	<u>(7,212,389)</u>
Property and equipment, net	<u>1,504,560</u>

Depreciation and amortization expense of property and equipment for the year ended December 30, 2020 totaled \$466,640.

**Note 4: Intangible Assets**

The carrying basis and accumulated amortization of recognized intangible assets were as follows at December 30, 2020:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortized intangible assets:			
Tradename	\$ 895,000	\$ (753,250)	\$ 141,750

Amortization expense for the year ended December 30, 2020 was \$88,500.

Estimated future amortization of intangible assets are as follows for the years ending after December 30, 2020:

2021	\$ 88,500
2022	53,250
	<u>\$ 141,750</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).

Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

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 \$2,251,000 at August 29, 2019. The note bears interest at 8%, matured June 29, 2017 and was extended to December 31, 2020. Effective December 31, 2020, Princeton extended the maturity date to December 31, 2021.

At December 30, 2020, the remaining outstanding debt with Princeton consists of a \$5,950,000 senior secured promissory note plus accrued paid in kind interest of \$2,389,620 added into this note balance that matured March 31, 2018 and has not been extended; and a senior revolving note with a balance of \$2,251,000 plus paid in kind interest of \$230,570 added into this note, that matures December 31, 2021.

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 30, 2020 consolidated balance sheet. The amount due for interest not paid in kind totaled \$2,975,581 at December 30, 2020.

**Note 6: Short Term Debt**

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which included provision for a Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA"). The PPP allows qualifying business to borrow up to \$10 million calculated based on qualifying payroll costs. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. Payments of principal and interest are deferred until 10 months from the last day of the covered period, and prepayments may be made at any time without penalty. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP loan in the amount of \$1,936,785, which was approved by the SBA on April 17, 2020.

The Company has elected to account for the PPP loan in accordance with Accounting Standards Codification 470 – Debt. As such, the outstanding PPP loan amount of \$1,936,785 is reflected within debt on the accompanying balance sheet as of December 30, 2020. Forgiveness of the PPP loan, if any, will be recognized as a gain on loan extinguishment when the Company is legally released from being the primary obligor on the loan. The Company used the proceeds of the PPP loan in accordance with the provisions of the CARES act and plans to apply for full forgiveness in March 2021.

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

**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 30, 2020 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 year ended December 30, 2020 was approximately \$1,335,000. No contingent rental amounts were incurred during the years ended December 30, 2020.

Future minimum lease payments at December 30, 2020, were as follows:

2021	\$ 1,387,667
2022	1,090,492
2023	670,333
2024	530,211
2025	340,574
Thereafter	410,560
Total	<u>\$ 4,429,837</u>

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Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

**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 30, 2020 are approximately as follows:

**Deferred tax assets**

Deferred rent	\$ 81,700
Other	356,000
Property and equipment	378,600
Related party interest	1,180,000
Intangibles	142,400
Net operating loss carryforward	2,618,700
	<u>4,757,400</u>
Net deferred tax before valuation allowance	4,757,400
Valuation allowance	(4,757,400)
Net deferred tax asset	<u>\$ -</u>

Differences between statutory income tax rates and the Company's effective income tax rate for the year ended December 30, 2020, were primarily caused by the increase in the valuation allowance, which at December 30, 2020, totaled approximately \$4,757,400, amounts not deductible for income tax purposes and other adjustments. The valuation allowance increased by approximately \$518,000 from December 26, 2019 to December 30, 2020.

The Company has a federal net operating loss carryforward of approximately \$12,470,000 at December 30, 2020. The net operating loss carryforward may be limited because of ownership changes as defined in Section 382 of the Internal Revenue Code.

**Note 10: Accrued Expenses**

Accrued expenses consist of the following at December 30, 2020:

Rent	\$ 388,993
Closed store reserve	300,000
Payroll and payroll related	281,041
Sales and use taxes	99,889
Other	57,276
Total	<u>\$ 1,127,199</u>

Rockfish Seafood Grill, Inc.  
Notes to Consolidated Financial Statement  
Year Ended December 30, 2020

**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 76% of the Company's cost of revenues for the year ended December 30, 2020.

**Note 12: Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, have had and are expected to continue to have adverse impacts on local, national, and the global economies. During 2020, the Company's revenues were impacted by an estimated 20-25% related to the COVID-19 economic disruptions. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while the Company expects this matter to have a continuing impact on the business, the impact to the results of operations and financial position cannot be reasonably estimated at this time.

**Note 13: Subsequent Events**

On December 27, 2020, the U.S. federal government enacted the Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act" or "EAA"), which included provision for the Second Draw Paycheck Protection Program ("PPP2") administered by the U.S. Small Business Administration ("SBA"). The PPP2 allows qualifying business to borrow up to \$2 million calculated based on qualifying payroll costs and other criteria as prescribed in the EAA. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. Payments of principal and interest are deferred until 10 months from the date of the loan, and prepayments may be made at any time without penalty. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures.

The Company applied for a PPP2 loan in the amount of \$2,000,000, on March 12, 2021.

Subsequent events have been evaluated through March 15, 2021, which is the date the consolidated financial statements were available to be issued.

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