

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

FORM 10-K

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

For the fiscal year ended December 31, 2017

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

Parkview Capital Credit, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

47-2441958

(I.R.S. Employer
Identification No.)

**Two Post Oak Center, 1980 Post Oak Blvd, 15th Floor
Houston, Texas**

(Address of Principal Executive Offices)

77056

(Zip Code)

(713) 622-5000

(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filers", "accelerated filers", "emerging growth company" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2017 there were approximately 4,000,000 shares of common stock of Parkview Capital Credit, Inc. outstanding held by non-affiliates, for an aggregate market value of approximately \$38,600,097, assuming a market value of \$9.65 per share.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: There were 4,000,010 issued and outstanding shares of the issuer's common stock, \$.01 par value per share, on April 2, 2018.

Documents Incorporated by Reference

Portions of Registrant's proxy statement for the 2018 annual stockholders' meeting, which is expected to be filed no later than April 28, 2018, are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14.

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PART I

Item 1. Business

Overview

We are a specialty finance company. We operate as a non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, we have elected for U.S. federal income tax purposes to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), beginning with our tax year ended June 30, 2017. As a BDC and a RIC, we are required to comply with certain regulatory requirements.

We provide customized debt and equity financing solutions to lower middle-market companies, which we define as companies having annual earnings, before interest, taxes, depreciation and amortization, or EBITDA, of less than \$25 million, and/or annual revenues of between \$20 million and \$200 million, although we may opportunistically make investments in larger or smaller companies. We expect that our investments will typically range in size from \$3 million to \$10 million, although investment amounts may be smaller or larger than this range. In particular, we may make smaller investments in broadly syndicated loans in the early stages of our development as we raise capital.

We raise capital through a private offering of our shares of common stock in order to acquire a portfolio of debt and equity investments consistent with our investment objective and our investment strategy. Parkview Advisors, LLC, a Delaware limited liability company (our “Advisor”) serves as our investment adviser pursuant to an investment advisory agreement (the “Advisory Agreement”). Under the Advisory Agreement, our Advisor provides significant credit analysis, structuring capability and transactional experience for us.

Our investment objective is to generate both current income and capital appreciation primarily by making direct investments in lower middle-market companies in the form of subordinated debt and, to a lesser extent, senior debt and minority equity investments. The companies in which we invest will typically be highly leveraged, and, in most cases, our investments in such companies will not be rated by any rating agency. If such investments were rated, we believe that they would likely receive a below-investment grade rating, which is often referred to as “high-yield” or “junk.” While our primary investment focus is to make loans to, and selected equity investments in, lower middle-market companies, we may also make opportunistic investments in larger or smaller companies. We can offer no assurances that we will achieve our investment objective.

We will seek to maximize the total return to our stockholders by:

- accessing the extensive origination channels that have been developed and established by the investment professionals of our Advisor, which includes 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 lower middle-market company focus;
- focusing on a variety of industry sectors;
- directly originating loans to portfolio companies and participating in broadly syndicated financings;

- applying a disciplined investment process and underwriting standards that our Advisor’s investment professionals have developed over their extensive investing careers; and
- capitalizing upon the experience and resources of our Advisor’s investment professionals to monitor investments.

Because we have elected to be regulated as a BDC and we intend to qualify as a RIC under the Code, our portfolio is subject to diversification and other requirements. See “—*Certain U.S. Federal Income Tax Consequences.*”

We may borrow money from time to time within the levels permitted by the 1940 Act (which generally allows us to incur leverage for up to one-half of our assets). In determining whether to borrow money, we will analyze the maturity, covenant package and rate structure of the proposed borrowings as well as the risks of such borrowings compared to our investment outlook. The use of borrowed funds or the proceeds of preferred stock offerings to make investments would have its own specific set of benefits and risks, and all of the costs of borrowing funds or issuing preferred stock would be borne by holders of our common stock. See “Item 1A. Risk Factors—Risks Relating to Our Business and Structure—We may borrow money, which may magnify the potential for gain or loss and may increase the risk of investing in us.”

Our investments may also include non-cash income features, including payment- in- kind interest or dividends (“PIK”) or original issue discount (“OID”).

Our Portfolio

As of April 2, 2018, our investment portfolio (excluding our investment in U.S. Treasury Bills), on a principal basis, totaled approximately \$37.6 million and consisted of approximately \$12.9 million, or 34.3%, in first lien senior secured debt, approximately \$16.4 million, or 43.6%, in second lien senior secured debt and approximately \$8.3 million, or 22.1%, in equity investments.

The following is our investment portfolio as of April 2, 2018 (in thousands):

| Portfolio Company | Industry | Security Type | Principal |
|--|---|---|------------------|
| Action Resources | Specialized Freight | Second lien secured term loans and common units | \$ 5,790 |
| American Bath Group, LLC | Manufacturing | Second lien secured term loan | 2,000 |
| Anchor Glass Container Corporation | Manufacturing | Second lien secured term loan | 500 |
| Ebony Media Holdings, LLC | Media | First lien secured term loans and warrants | 9,264 |
| Lone Star Brewery Development, Inc. | Real Estate | Preferred and common units | 5,994 |
| Langham Creek LLC | Real Estate | Preferred and common units | 2,170 |
| Medi-fare Drug & Pharmaceutical Compounding, LLC | Healthcare | First lien secured term loan and warrants | 3,822 |
| Turning Point Brands, Inc. | Tobacco | Second lien secured term loan | 1,000 |
| Lionbridge Technologies, Inc. | Translation and Interpretation Services | Second lien secured term loan | 2,000 |
| Transportation Demand Management, LLC | Charter Bus Industry | Second lien secured term loan and warrants | 5,102 |
| | | | <u>\$ 37,642</u> |

Our Advisor

Our Advisor acts as our investment adviser. Our Advisor is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Our Advisor is owned by SKW Financial, LLC, an entity controlled by Keith W. Smith, our President and Chief Executive Officer. As a result, Mr. Smith is the indirect owner of our Advisor and controls its operations. Our Advisor sources and manages our portfolio through a team of investment professionals, led by Mr. Smith. Mr. Smith has substantial experience in credit origination having previously served as Managing Director with Capital Point Partners where he invested and/or realized more than \$150 million in direct lending in first lien, second lien and mezzanine investments as well as complementary minority equity investments. Prior to Capital Point, Mr. Smith worked for Rabobank International (“RI”) as a Vice President and Portfolio Manager, where he was involved in direct lending and structured credit bank assets of more than \$2 billion for one of RI’s special investment vehicles.

Our Advisor has its headquarters at Two Post Oak Center, 1980 Post Oak Boulevard, 15th Floor, Houston, Texas 77056.

The Board of Directors

Our board of directors (the “Board”) has ultimate authority as to our investments, but it has delegated authority to our Advisor to select and monitor our investments, subject to the supervision of the Board. Pursuant to our amended and restated articles of incorporation (the “Charter”), the Board currently consists of five members, a majority of whom are not “interested persons” of the Company, of our Advisor or of any of their respective affiliates, as defined in the 1940 Act (the “Independent Directors”). In connection with the appointment of our Independent Directors, we amended our Charter to divide our board of directors into three classes. At each annual meeting, directors will be elected for staggered terms of three years (other than the initial terms, which extend for a period of one year, two years or three years, respective to each class of director), with the term of office of only one of these three classes of directors expiring each year. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Any director may resign at any time and our Charter provides that a director may be removed only for cause, as defined in our Charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Advisory Agreement

On March 11, 2015, we entered into the Advisory Agreement with our Advisor, which was subsequently amended effective as of November 10, 2017. Under the Advisory Agreement our Advisor:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- determines the assets we originate, purchase, retain or sell;
- closes, monitors and administers the investments we make, including the exercise of any rights in our capacity as a lender; and
- provides us such other investment advice, research and related services as we may, from time to time, require.

Our Advisor’s services under the Advisory Agreement are not exclusive, and it is free to furnish similar or other services to others so long as its services to us are not impaired.

Under the terms of the Advisory Agreement, we pay our Advisor a base management fee (the “Management Fee”) and may also pay to it incentive fees (each, an “Incentive Fee”).

The Management Fee is calculated at an annual rate of 2.00% of the end-of-period gross assets payable monthly in arrears if the Company’s gross assets are less than \$250,000,000; 1.75% of the end-of period gross assets if the Company’s gross assets are equal to or greater than \$250,000,000 but less than \$750,000,000; and, 1.50% of the end-of period gross assets if the Company’s gross assets are equal to or greater than \$750,000,000. For purposes of calculating the Management Fee, the term “gross assets” includes any assets acquired with the proceeds of leverage. As a result, the Advisor will benefit when we incur debt or use leverage. For each of the first two months of operations, the Management Fee was calculated based on the value of our gross assets at the end of such month, and appropriately adjusted for any share issuances during these months. Following our first two months of operations, the Advisory Agreement provides that the Management Fee is calculated based on the average value of gross assets at the end of the two most recently completed months. We have clarified our Management Fee calculation so that the Management Fee is calculated by averaging the value of our gross assets at the end of the two most recently completed quarters, and appropriately adjusting for any share issuances occurring during any month of the current quarter. Management Fees for any partial month are appropriately prorated.

The Incentive Fee is divided into two parts: (i) an incentive fee on income and (ii) an incentive fee on capital gains. Each part of the Incentive Fee is outlined below.

The first part, which we refer to as the incentive fee on income, is calculated and payable quarterly in arrears based upon our “pre-incentive fee net investment income” for the immediately preceding quarter. The incentive fee on income is subject to a hurdle rate, measured quarterly and expressed as a rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, of 1.75% (7.0% annualized), subject to a “catch up” feature. For this purpose, “pre-incentive fee net investment income” means interest income, dividend income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the Management Fee, expenses reimbursed to our Advisor under the Advisory Agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. For purposes of this fee, adjusted capital means cumulative gross proceeds generated from issuances of our common stock (including our distribution reinvestment plan, if established) reduced for distributions to investors that represent a return of capital. The calculation of the incentive fee on income for each quarter is as follows:

- No incentive fee on income is payable to our Advisor in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate of 1.75% (7.0% annualized) (the “hurdle rate”).
- 100% of our pre-incentive fee net investment income, if any, that exceeds the hurdle rate, but is less than or equal to 2.1875% in any calendar quarter (8.75% annualized) is payable to our Advisor. We refer to this portion of our pre-incentive fee net investment income as the “catch-up.” The “catch-up” provision is intended to provide our Advisor with an incentive fee of 20.0% on all of our pre-incentive fee net investment income when our pre-incentive fee net investment income reaches 2.1875% in any calendar quarter.
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) will be payable to our Advisor once the hurdle rate is reached and the catch-up is achieved (20.0% of all pre-incentive fee net investment income thereafter is allocated to our Advisor).

The second part of the incentive fee, which we refer to as the incentive fee on capital gains, is an incentive fee on capital gains and is determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement). This fee will equal 20% of our realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

Prior to our election to be regulated as a BDC, the Advisory Agreement was re-approved by our Board, including by a majority of our Independent Directors, at an in-person meeting of the Board called for that purpose.

Our Advisor will not assume any responsibility to us other than to render the services described in, and on the terms of, the Advisory Agreement, and will not be responsible for any action of our Board in declining to follow the advice or recommendations of our Advisor. Under the terms of the Advisory Agreement, and absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, our Advisor (and its officers, managers, partners, agents, employees, controlling persons and members, and any other person or entity affiliated with our Advisor) shall not be liable to us for any action taken or omitted to be taken by our Advisor in connection with the performance of any of its duties or obligations under the Advisory Agreement, or otherwise as an investment adviser of the Company (except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services). We shall, to the fullest extent permitted by law, provide indemnification and the right to the advancement of expenses, to each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he/she is or was a member, manager, officer, employee, agent, controlling person of our Advisor or any other person or entity affiliated with our Advisor, on the same general terms set forth in Article VII of our Charter.

The Advisory Agreement remains in effect from year to year if approved annually by (i) the vote of our Board, or by the vote of a majority of our outstanding voting securities, and (ii) the vote of a majority of our Independent Directors. The Advisory Agreement will automatically terminate in the event of an assignment and may be terminated by either party without penalty upon 60 days' written notice to the other.

License Agreement

On March 11, 2015, we entered into a license agreement (the "License Agreement") with our Advisor, pursuant to which we have been granted a non-exclusive license to use the name "Parkview." Under the License Agreement, we have a right to use the "Parkview" name and logo, for so long as our Advisor or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the "Parkview" name or logo.

Monitoring of Our Investment Portfolio

Portfolio Monitoring

Our Advisor monitors our portfolio with a focus toward anticipating negative credit events. To maintain portfolio company performance and help to ensure a successful exit, our Advisor works closely with, as applicable, the lead equity sponsor, loan syndicator, portfolio company management, consultants, advisers and other security holders to discuss financial position, compliance with covenants, financial requirements and execution of the portfolio company's business plan. In addition, depending on the size, nature and performance of the transaction, we may occupy a seat or serve as an observer on a portfolio company's board of directors or similar governing body.

Typically, our Advisor receives financial reports detailing operating performance, sales volumes, margins, cash flows, financial position and other key operating metrics on a quarterly basis from our portfolio companies. Our Advisor uses this data, combined with due diligence gained through contact with the company's customers, suppliers, competitors, market research and other methods, to conduct an ongoing, rigorous assessment of the portfolio company's operating performance and prospects. Our Advisor may rely on brokers or other financial services firms that may help identify potential investments from time to time for assistance in monitoring these investments.

Portfolio Asset Quality

In addition to various risk management and monitoring tools, our Advisor uses an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. The Advisor uses an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating:

| Investment Rating | Summary Description |
|--------------------------|--|
| 1 | Investment exceeding expectations and/or capital gain expected. |
| 2 | Performing investment generally executing in accordance with the portfolio company's business plan—full return of principal and interest expected. Each investment is initially rated 2. |
| 3 | Performing investment requiring closer monitoring. |
| 4 | Underperforming investment—some loss of interest or dividend possible, but still expecting a positive return on investment. |
| 5 | Underperforming investment with expected loss of interest and some principal. |

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of December 31, 2017 and 2016 (in thousands):

| Investment Rating | December 31, 2017 | | December 31, 2016 | |
|--------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|
| | Fair Value | Percentage of Portfolio | Fair Value | Percentage of Portfolio |
| 1 | \$ — | — | \$ — | — |
| 2 | 42,018 | 77% | 38,095 | 91% |
| 3 | 8,806 | 16% | — | — |
| 4 | - | — | 3,859 | 9% |
| 5 | 4,023 | 7% | — | — |
| Total | \$ 54,847 | 100% | \$ 41,954 | 100% |

The amount of the portfolio in each grading category may vary substantially from period to period resulting primarily from changes in the composition of the portfolio as a result of new investment, repayment and exit activities. In addition, changes in the grade of investments may be made to reflect our expectation of performance and changes in investment values.

Exit

While we attempt to invest in securities that may be sold in a privately negotiated over-the-counter market, providing us a means by which we may exit our positions, we expect that a large portion of our portfolio may not be sold on this secondary market. For any investments that are not able to be sold within this market, we focus primarily on investing in companies whose business models and growth prospects offer attractive exit possibilities, including repayment of our investments, an initial public offering of equity securities, a merger, a sale or a recapitalization, in each case with the potential for capital gains.

Investment Committee

Each investment opportunity requires the unanimous approval of our Advisor's Investment Committee, which is currently comprised of Keith W. Smith, our President and Chief Executive Officer, and Gavin E. Stewart, a Director of our Advisor. Our Advisor intends to hire additional employees as our operations expand and may add personnel to its Investment Committee.

Competition

Our primary competitors to provide financing to lower middle-market companies include public and private funds, including other BDCs, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC and that the Code will impose on us as a RIC.

Fees and Expenses

All investment professionals and staff of our Advisor, when and to the extent engaged in providing us investment advisory and management services, and the base compensation, bonus and benefits, and the routine overhead expenses, of such personnel allocable to such services, are provided and paid for by our Advisor.

We, either directly or through reimbursement to our Advisor, bear all other costs and expenses of our operations, administration and transactions, including, but not limited to, those relating to:

- organization expenses;
- calculating our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expense, incurred by our Advisor, its investment professionals, or payable to third parties, performing due diligence on prospective portfolio companies;
- the costs of the offerings of common shares and other securities, if any;
- the base management fee and any incentive fee;
- certain costs and expenses relating to distributions paid on our shares;
- administration reimbursements payable under the Advisory Agreement;
- debt service and other costs of borrowings or other financing arrangements;
- the allocated costs incurred by our Advisor in providing managerial assistance to those portfolio companies that request it;

- amounts payable to third parties relating to, or associated with, making or holding investments;
- transfer agent and custodial fees;
- costs of hedging;
- commissions and other compensation payable to brokers or dealers;
- federal, state and local taxes;
- independent director fees and expenses;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing;
- the costs of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholders' meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses reasonably incurred by us in connection with making investments and administering our business.

From time to time, our Advisor may pay amounts owed by us to third-party providers of goods or services. We will subsequently reimburse our Advisor for such amounts paid on our behalf. In addition, we reimburse our Advisor for the allocable portion of the compensation paid by our Advisor to our chief compliance officer and chief financial officer and their respective staffs (based on the percentage of time such individuals devote, on an estimated basis, to the business and affairs of the Company). All of these expenses will ultimately be borne by our stockholders.

Employees

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are contractors of our Advisor or an affiliate, pursuant to the terms of the Advisory Agreement. Except for Mr. Jacobson, our Chief Financial Officer and Treasurer, and Ms. Hart, our Chief Compliance Officer, both of whom have been contracted by our Advisor to provide services on our behalf, only our executive officer is employed by our Advisor or its affiliates. Our day-to-day investment operations are managed by our Advisor. The services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by our Advisor or its affiliates.

Regulation as a Public Business Development Company

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters. In addition, a BDC must be organized in the United States for the purpose of investing in or lending to primarily private companies and making significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not “interested persons,” as that term is defined in the 1940 Act. Additionally, 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. As a BDC, we are also required to meet a coverage ratio of the value of total assets to total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. This means that for every \$100 of net assets we have, we are able to borrow or issue senior securities in the amount of \$100. See “*Item 1. Business—Regulation as a Public Business Development Company—Limitations on Leverage*” for a discussion regarding recent revisions related to these limitations.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67% or more of such company’s voting securities present at a meeting if more than 50% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

We may invest up to 100% of our assets in securities acquired directly from, or loans originated directly to, issuers in privately-negotiated transactions. We do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except for registered money market funds, we generally cannot acquire more than 3% of the voting stock of any 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 investment companies in the aggregate. The portion of our portfolio invested in securities issued by investment companies ordinarily will subject our stockholders to additional expenses. Our investment portfolio will be subject to diversification requirements by virtue of our status as a RIC for U.S. tax purposes; the related requirements are set forth below.

We are generally not able to issue and sell our common stock at a price below net asset value per share. We may, however, issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then current net asset value of our common stock if our Board determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. 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, closely approximates the market value of such securities. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of the members of our Board who are not interested persons and, in some cases, prior approval by the SEC through an exemptive order (other than in certain limited situations pursuant to current regulatory guidance). We will be subject to periodic examination by the SEC for compliance with the 1940 Act.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any assets 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:

- 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. An eligible portfolio company is defined in the 1940 Act as any issuer which:
 - is organized under the laws of, and has its principal place of business in, the United States;
 - is not an investment company (other than a small business investment company wholly owned by the Company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - satisfies either of the following:
 - has a market capitalization of less than \$250 million or does not have any class of securities listed on a national securities exchange; or
 - is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company.
- Securities of any eligible portfolio company that we control.
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, 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.
- 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.
- 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.
- Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Limitations on Leverage

As a BDC, we generally must have 200% asset coverage for our debt after incurring any new indebtedness, meaning that for every \$100 of net assets we have, we are able to borrow or issue senior securities in the amount of \$100. On March 23, 2018, President Trump signed into law the 2018 omnibus spending bill, which included the Small Business Credit Availability Act that modified the 1940 Act by increasing the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%, if the following conditions are met:

- the BDC adopts a 150% asset coverage by either
 - a shareholder approval of more than 50% of the votes cast at a shareholder meeting at which a quorum is present, to become effective on the first day after the date of such approval; or
 - a vote of the majority of the non-interested directors of the BDC, to become effective on the date that is one year of the date of such approval; and
- within five business days of such approval
 - the BDC makes disclosures regarding such approval in any filing submitted to the SEC and provides a notice on the BDC's website; and
 - the BDC makes additional disclosures in its periodic reports, including the amount of outstanding senior securities (and associated asset coverage ratio) it holds as of the date of the most recent financial statements included in the filing; information regarding the approval of the asset coverage percentage and the date of such approval; and the risk associated with holding senior securities described in the filing to the extent that such risk is incurred by the BDC.

In addition, BDCs that are not listed on a national securities exchange, such as the Company, are required to offer to repurchase from each shareholder, as of the asset coverage percentage approval date, all of the shares that are held by its shareholders (with 25% of those shares to be repurchased in each of the four quarters following the calendar quarter of the approval date). Unless the Company complies with the requirements noted above, it will not be able to incur additional indebtedness as provided for by the Small Business Credit Availability Act.

Managerial Assistance to Portfolio Companies

A BDC must be operated for the purpose of making investments in the types of securities described under “—*Regulation as a Public Business Development Company—Qualifying Assets*,” above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, the BDC will satisfy this test if one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does in fact provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Ongoing Relationships with Portfolio Companies; Valuation

Our Advisor monitors our portfolio companies on an ongoing basis. Our Advisor monitors the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company.

Our Advisor has several methods of evaluating and monitoring the performance and fair value of our investments, which may include, but are not limited to, the following:

- Assessment of success of the portfolio company in adhering to its business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to other companies in the industry;
- Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

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 or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, such that at least 70% of our assets are qualifying assets. Our Advisor will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

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 preferred stock or publicly traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or the repurchasing 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. For a discussion of the risks associated with leverage, *“Item 1A. Risk Factors – Risks Relating to our Positions and Structure – We may borrow money, which may magnify the potential for gain or loss and may increase the risk of investing in us.”*

The 1940 Act imposes limitations on a BDC’s issuance of preferred shares, which are considered “senior securities” and thus are subject to the 200% asset coverage requirement described above. See *“Item 1. Business—Regulation as a Public Business Development Company—Limitations on Leverage.”* In addition, (i) preferred shares must have the same voting rights as the common stockholders (one share, one vote); and (ii) preferred stockholders must have the right, as a class, to appoint directors to the Board.

Code of Ethics

We and our Advisor have adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act, respectively, that establishes joint procedures for personal investments and restricts certain transactions by our personnel. The code of ethics generally does not permit investments by our employees or employees of our Advisor in securities that may be purchased or held by us. The code of ethics has been incorporated by reference to this annual report on Form 10-K. You may also review our code of ethics at the SEC’s Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. You may also obtain copies of the codes of ethics, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC’s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Compliance Policies and Procedures

We and our Advisor have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws and will be required to review these compliance 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.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a wide variety of regulatory requirements on certain publicly held companies and their insiders. Assuming certain requirements are met, many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our chief executive officer and chief financial officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, subject to certain assumptions, our management is required to prepare an annual report regarding its assessment of our internal control over financial reporting, depending on our accelerated filer status, this report may be required to be audited by our independent registered public accounting firm; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of 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 corrective 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 thereunder. 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 therewith.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to our Advisor. The Proxy Voting Policies and Procedures of our Advisor are set forth below. The guidelines will be reviewed periodically by our Advisor and our Board, including our Independent Directors, and, accordingly, are subject to change.

An investment adviser registered under the Advisers Act has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, our Advisor recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients. These policies and procedures for voting proxies for our Advisor's investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Our Advisor will vote all proxies based upon the guiding principle of seeking the maximization of the ultimate long term economic value of our stockholders' holdings, and ultimately all votes are cast on a case-by-case basis, taking into consideration the contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. All proxy voting decisions will require a mandatory conflicts of interest review by our Chief Compliance Officer in accordance with these policies and procedures, which will include consideration of whether our Advisor or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. It is our Advisor's general policy to vote or give consent on all matters presented to security holders in any proxy, and these policies and procedures have been designed with that in mind. However, our Advisor reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of our Chief Compliance Officer or the relevant investment professional(s) employed by our Advisor, the costs associated with voting such proxy outweigh the benefits to our stockholders or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the relevant stockholder(s).

Privacy Principles

We are committed to maintaining the confidentiality, integrity and security of nonpublic personal information relating to investors. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

We may collect nonpublic personal information regarding investors from sources such as subscription agreements, investor questionnaires and other forms; individual investors' account histories; and correspondence between us and our investors. We may share information that we collect regarding an investor with our affiliates and the employees of such affiliates for legitimate business purposes, for example, in order to service the investor's accounts or provide the investor with information about other products and services offered by us or our affiliates that may be of interest to the investor. In addition, we may disclose information that we collect regarding investors to third parties who are not affiliated with us: (i) as authorized by our investors in investor subscription agreements or our organizational documents; (ii) as required by law or in connection with regulatory or law enforcement inquiries; or (iii) as otherwise permitted by law to the extent necessary to effect, administer or enforce investor or Company transactions.

Any party that receives nonpublic personal information relating to investors from us is permitted to use the information only for legitimate business purposes or as otherwise required or permitted by applicable law or regulation. In this regard, for our officers, employees and agents, access to such information is restricted to those who need such access in order to provide services to us and our investors. We maintain physical, electronic and procedural safeguards to seek to guard investor nonpublic personal information.

Reporting Obligations

We are a reporting company under the Exchange Act and are required to comply with all periodic reporting, proxy solicitation and other applicable requirements under the Exchange Act.

We maintain a website at www.parkviewcapitalcredit.com through which we make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge. You may also obtain such information by contacting us, in writing, at: Parkview Capital Credit, Inc., Two Post Oak Center, 1980 Post Oak Boulevard, 15th Floor, Houston, Texas 77056, or by telephone at (713) 622-5000. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet site at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, partnerships and other pass-through entities, U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares and persons who hold our shares as part of a "straddle," "hedge" or "conversion" transaction. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date hereof and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the "IRS") regarding any matter discussed herein. Tax counsel has not rendered any legal opinion regarding any tax consequences relating to us or our stockholders. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

For purposes of this discussion, a "U.S. stockholder" generally is a beneficial owner of shares of our common stock who is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;
- a trust if (a) a court in the United States has primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for federal income tax purposes; or
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A “Non-U.S. stockholder” generally is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner in a partnership holding shares of our common stock should consult his, her or its tax advisers with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisers regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, including the potential application of U.S. withholding taxes, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

Election to be Taxed as a RIC

As a BDC, we elected and intend to qualify annually, as a RIC under Subchapter M of the Code, beginning with our tax year ending June 30, 2017 and thereafter. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any income that we distribute to our stockholders from our earnings and profits. To qualify for and maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to obtain RIC tax treatment, we must timely distribute to our stockholders, for each taxable year, at least 90% of our “investment company taxable income,” which is generally our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses (the “Annual Distribution Requirement”).

Taxation as a RIC

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement,

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, generally defined as net long-term capital gains in excess of net short-term capital losses, we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gains not distributed (or deemed distributed) to our stockholders.

We will be subject to a nondeductible U.S. federal excise tax of 4% on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 of that calendar year and (3) any income realized, but not distributed, in preceding years and on which we paid no federal income tax the (“Excise Tax Avoidance Requirement”).

To qualify as a RIC for federal income tax purposes, we must, among other things:

- continue to qualify to be treated as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain “qualified publicly-traded partnerships,” or other income derived with respect to our business of investing in such stock or securities the (“90% Income Test”); and
- diversify our holdings so that at the end of each quarter of the taxable year:
 - i. at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and
 - ii. no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in the securities of one or more “qualified publicly-traded partnerships,” (the “Diversification Tests”).

Prior to 2016, we did not qualify as a RIC and were taxed as a Subchapter C corporation for both 2014 and 2015. Because we did not elect to be regulated as a BDC until February 12, 2016, we did not qualify as a RIC for calendar year 2016. We changed our tax year to June 30 and filed as a Subchapter C corporation for the six-month period ended June 30, 2016. We elected RIC status beginning with the tax year ended June 30, 2017.

As a result of converting from a Subchapter C corporation to a RIC, we are required to pay a corporate-level U.S. federal income tax on the net amount of the net built-in gains, if any, in our assets (*i.e.*, the amount by which the net fair market value of our assets exceeds our net adjusted basis in our assets) as of the date of conversion to the extent that such gains are recognized by us during the applicable recognition period, which is the five-year period beginning on the date of conversion. The amount of net realized gain is taken into account only to the extent of the excess of the net unrealized built-in gain over the net recognized built-in gain for earlier tax years beginning in the recognition period.

Any corporate-level built-in gain tax is payable at the time the built-in gains are recognized (which generally will be the years in which the built-in gain assets are sold in a taxable transaction). The amount of this tax will vary depending on the assets that are actually sold by us in the applicable period, the amount of realized gain (loss), the actual amount of net built-in gain or loss present in those assets as of the date of conversion, and the effective tax rates at such times. The payment of any such corporate-level U.S. federal income tax on built-in gain will be an expense that will reduce the amount available for distribution to our stockholders. We do not expect to pay a corporate-level U.S. federal income tax on realized built-in gains, if any, in our assets since there was no net built-in gain on the conversion date.

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a “qualified publicly traded partnership”), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a “qualified publicly traded partnership”) will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a “qualified publicly traded partnership”) in which we are a partner for purposes of the Diversification Tests.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things: (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions; (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income; (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited); (iv) cause us to recognize income or gain without a corresponding receipt of cash; (v) adversely affect the time as to when a purchase or sale of securities is deemed to occur; (vi) adversely alter the characterization of certain complex financial transactions; and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the potential adverse effect of these provisions.

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discounts and include such amounts in our taxable income in the current year, instead of upon disposition, as an election not to do so would limit our ability to deduct interest expenses for tax purposes. Moreover, the Tax Cuts and Jobs Act (the "Tax Act"), which was signed into law on December 22, 2017, requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes.

We intend to invest a portion of our net assets in below investment grade instruments (rated lower than "Baa3" by Moody's Investors Service or lower than "BBB-" by Standard & Poor's Corporation), which are often referred to as "junk" bonds. Investments in these types of instruments may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless instruments, how payments received on obligations in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable. We will address these and other issues to the extent necessary to seek to ensure that we distribute sufficient income so that we do not become subject to U.S. federal income or excise tax.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

Because we may use debt financing, 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 satisfy the Annual Distribution Requirement. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

In the event we invest in non-U.S. securities, we may be subject to withholding and other non-U.S. taxes with respect to those securities. We do not expect to satisfy the conditions necessary to pass through to our stockholders their share of the non-U.S. taxes paid by the Company.

Failure to Qualify as a RIC

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates, regardless of whether we make any distributions to our stockholders. Distributions would not be required, and any distributions would be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations in the Code, such distributions would be eligible for the preferential maximum rate applicable to individual stockholders to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we would be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gains at the time of our requalification as a RIC.

The remainder of this discussion assumes that we qualify as a RIC and satisfy the Annual Distribution Requirement.

Taxation of U.S. Stockholders

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions ("Qualifying Dividends") may be eligible for a maximum tax rate of 20% provided that we properly report such distribution as "qualifying dividend income" in a written statement furnished to our stockholders and certain holding period and other requirements are satisfied. In this regard, it is not anticipated that a significant portion of distributions paid by us will be attributable to qualifying dividends; therefore, our distributions generally will not qualify for the preferential maximum rate applicable to Qualifying Dividends. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains that are currently generally taxable at a maximum rate of 20% in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

Although we currently intend to distribute any long-term capital gain at least annually, we may in the future decide to retain some or all of our long-term capital gain, but designate the retained amount as a “deemed distribution.” In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its proportionate share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder’s tax basis for his, her or its common stock. Since we expect to pay tax on any retained capital gain at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on net capital gain, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder’s other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder’s liability for U.S. federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form to claim a refund for the taxes we paid. To utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a “deemed distribution.”

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of distributions paid for that year, we may, under certain circumstances, elect to treat a distribution that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the distribution in the taxable year in which the distribution is made. However, any distribution declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the distribution was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference between such stockholder’s adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

In general, individual U.S. stockholders currently are generally subject to a maximum federal income tax rate of 20% on their net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, an additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from us and net gains from redemptions or other taxable dispositions of our common stock) of U.S. high-income individuals, and certain estates and trusts. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 21% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

We (or if a U.S. stockholder holds shares through an intermediary, such intermediary) will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS (including the amount of distributions, if any, eligible for the preferential maximum rate). Distributions paid by us generally will not be eligible for the dividends-received deduction. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

We are required to report adjusted cost basis information for covered securities, which generally include shares of a RIC acquired after January 1, 2012, to the IRS and to taxpayers. The tax regulations require that we elect a default tax identification methodology to perform the required reporting. We have chosen the first-in-first-out ("FIFO") method as the default tax lot identification method for our stockholders. This is the method we will use to determine which specific shares are deemed to be sold when a stockholder's entire position is not sold in a single transaction and is the method in which "covered" share sales will be reported on a stockholder's Form 1099. However, at the time of purchase or upon the sale of "covered" shares, stockholders may generally choose a different tax lot identification method. Stockholders should consult a tax advisor with regard to their personal circumstances as the Company and its service providers do not provide tax advice. Stockholders should contact their financial intermediaries with respect to reporting of cost basis and available elections for their accounts.

Limitation on Deduction for Certain Expenses

If our stock is not beneficially owned by at least 500 persons at all times during the taxable year, then a U.S. stockholder that is an individual, estate or trust may be subject to limitations on miscellaneous itemized deductions in respect of its share of expenses that we incur, to the extent that the expenses would have been subject to these limitations if the stockholder had incurred them directly. We do not expect our stock to be beneficially owned by 500 or more persons.

If we do not satisfy the 500-shareholder requirement, we would be required to report the relevant expenses, including the Management Fee and Incentive Fee, on Form 1099-DIV, and affected stockholders will be required to take into account as income an amount equal to their allocable share of such expenses.

U.S. Taxation of Tax-Exempt U.S. Stockholders

A U.S. stockholder that is a tax-exempt organization for U.S. federal income tax purposes and therefore generally exempt from U.S. federal income taxation may nevertheless be subject to taxation to the extent that it is considered to derive unrelated business taxable income ("UBTI"). The direct conduct by a tax-exempt U.S. stockholder of the activities we propose to conduct could give rise to UBTI. However, a BDC is a corporation for U.S. federal income tax purposes and its business activities generally will not be attributed to its stockholders for purposes of determining their treatment under current law.

Therefore, a tax-exempt U.S. stockholder should not be subject to U.S. taxation solely as a result of the stockholder's ownership of our stock and receipt of dividends with respect to such stock. Moreover, under current law, if we incur indebtedness, such indebtedness will not be attributed to a tax-exempt U.S. stockholder. Therefore, a tax-exempt U.S. stockholder should not be treated as earning income from "debt-financed property" and dividends we pay should not be treated as "unrelated debt-financed income" solely as a result of indebtedness that we incur. Proposals periodically are made to change the treatment of "blocker" investment vehicles interposed between tax-exempt investors and non-qualifying investments. In the event that any such proposals were to be adopted and applied to BDCs, the treatment of dividends payable to tax-exempt investors could be adversely affected.

Backup Withholding

We may be required to withhold federal income tax (“backup withholding”), currently at a rate of 28%, from all distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual’s taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder’s federal income tax liability, provided that proper information is provided to the IRS.

Reportable Transactions Reporting

If a U.S. stockholder recognizes a loss with respect to shares of our common stock of \$2 million or more for an individual stockholder or \$10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer’s treatment of the loss is proper. U.S. stockholders should consult their tax advisors to determine the applicability of these regulations in light of their specific circumstances.

Taxation of Non-U.S. Stockholders

The following discussion applies only to Non-U.S. stockholders. Whether an investment in our shares is appropriate for a Non-U.S. stockholder will depend upon that person’s particular circumstances. An investment in our shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in our common stock.

Distributions of our investment company taxable income to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless an applicable exception applies. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, we will not be required to withhold federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to federal income tax at the rates applicable to U.S. persons. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

In addition, with respect to certain distributions made by RICs to Non-U.S. stockholders, no withholding will be required and the distributions generally will not be subject to federal income tax if (i) the distributions are properly designated in a notice timely delivered to our stockholders as “interest-related dividends” or “short-term capital gain dividends,” (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. No assurance can be given as to whether any of our distributions will be reported as eligible for this exemption from withholding tax.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains recognized by a Non-U.S. stockholder upon the sale of our common stock, generally will not be subject to federal withholding tax and will not be subject to U.S. federal income tax unless (i) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States, or such Non-U.S. stockholder in the United States or (ii) in the case of an individual stockholder, the stockholder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale or the receipt of the distributions or gains and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. To obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

Backup Withholding. A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to U.S. federal withholding tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Non-U.S. stockholders may also be subject to U.S. estate tax with respect to their investment in our common stock.

Foreign Account Tax Compliance Act

Legislation commonly referred to as the "Foreign Account Tax Compliance Act," or "FATCA," generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions ("FFIs") unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement ("IGA") with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest and dividends, and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends received after December 31, 2018. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. Depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which they hold their shares, Non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their shares and proceeds from the sale of their shares. Stockholders may be requested to provide additional information to us to enable us to determine whether withholding is required, such as W-8BEN, W-8BEN-E or other applicable series W-8.

Non-U.S. persons should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

Item 1A. Risk Factors

An investment in our securities involves certain risks relating to our structure and investment objective. The risks set forth below are not the only risks we face, and we may face other risks that we have not yet identified, which we do not currently deem material or which are not yet predictable. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

Our shares will not be listed on a national securities exchange for the foreseeable future, if ever. Therefore, our shares have limited liquidity and you may not receive a full return of your invested capital if you sell your shares.

Our shares are illiquid assets for which there is not expected to be any secondary market in the foreseeable future. We currently have no target date in which to list our shares on a national securities exchange. There can be no assurance that even if we sought a listing that we would be able to obtain a listing within any particular time frame.

If our shares are listed, we cannot assure you a public trading market will develop. Since a portion of the proceeds we receive from the sale of shares in our private offering will be used to pay expenses and fees incurred by us, the full amount of proceeds received will not be used to acquire investments pursuant to our investment objective. As a result, even if we do list our shares on a national securities exchange, you may not receive a full return of your invested capital if you sell your shares.

We are dependent upon management personnel of our Advisor for our future success.

We depend on the experience, diligence, skill and network of business contacts of our Advisor and its investment professionals. The investment professionals that our Advisor currently retains or may subsequently retain, will identify, evaluate, negotiate, structure, close, monitor and manage our investments. Our future success will depend to a significant extent on the continued service and coordination of our Advisor's investment professionals. The departure of any of our Advisor's key personnel, including Mr. Smith, our President and Chief Executive Officer, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that our Advisor will remain our investment adviser or that we will continue to have access to its investment professionals.

Our Advisor has limited prior experience managing a BDC.

The investment professionals of our Advisor have limited experience managing a BDC, and the investment philosophy and techniques used by our Advisor to manage a public company may differ from the investment philosophy and techniques previously employed by our Advisor's investment professionals in identifying and managing past investments. Accordingly, we can offer no assurance that we will replicate the historical performance of other businesses or companies with which our Advisor's investment professionals have been affiliated, and we caution you that our investment returns could be substantially lower than the returns achieved by such other companies.

The net asset value of our common stock may fluctuate significantly.

The net asset value of our shares of common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include: (i) changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs; (ii) loss of RIC status (once obtained) or BDC status; (iii) changes in earnings or variations in operating results; (iv) changes in the value of our portfolio of investments; (v) changes in accounting guidelines governing valuation of our investments; (vi) any shortfall in revenue or net income or any increase in losses from levels expected by investors; (vii) departure of our investment adviser or certain of its key personnel; (viii) general economic trends and other external factors; and (ix) loss of a major funding source.

Regulations governing our operation as a BDC affect our ability to, and the way in which, we raise additional capital.

The 1940 Act imposes numerous constraints on the operations of BDCs. See “*Item 1. Business—Regulation as a Public Business Development Company*” for a discussion of BDC limitations. For example, BDCs are required to invest at least 70% of their total assets in securities of nonpublic or thinly traded U.S. companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. These constraints may hinder our Advisor’s ability to take advantage of attractive investment opportunities and to achieve our investment objective.

Regulations governing our operation as a BDC affect our ability to raise additional capital, and the ways in which we can do so. Raising additional capital may result in dilution to our current stockholders. The 1940 Act also limits our ability to issue debt and preferred stock (“senior securities”) to amounts such that our asset coverage ratio is at least 200% of assets less liabilities and other indebtedness. See “*Item 1. Business—Regulation as a Public Business Development Company—Limitations on Leverage.*” Consequently, if the value of our assets declines, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when this may be disadvantageous.

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 the then-current net asset value per share of our common stock if our Board determines that a sale is in the best interests of us and our stockholders and our stockholders approve it.

We may borrow money, which may magnify the potential for gain or loss and may increase the risk of investing in us.

As part of our business strategy, we may borrow from and issue senior debt securities to banks, insurance companies, and other lenders. Holders of these senior securities will have fixed-dollar claims on our assets that are superior to the claims of our common stockholders. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distribution payments. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, the Management Fee we pay to our Advisor is payable based on our gross assets, including those assets acquired through the use of leverage. See “— *The advisory fee structure we have with our Advisor may create incentives that are not fully aligned with the interests of our stockholders.*”

Furthermore, any debt facility into which we may enter may impose financial and operating covenants that restrict our business activities. Lastly, we may be unable to obtain our desired leverage, which would, in turn, affect our return on capital.

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

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. As of December 31, 2017, 83% of our total assets are qualifying assets.

If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. 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. In addition, 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 have at least 70% of our total assets in qualifying assets.

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.

As a BDC, we are a non-diversified investment company within the meaning of the 1940 Act, and therefore, we are 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 within the meaning of the 1940 Act, which means that we are limited by the 1940 Act with respect to the proportion of our assets that we may invest in the securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, 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 any of our portfolio companies. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our income tax diversification requirements under Subchapter M of the Code, we will not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

We operate in a highly competitive market for investment opportunities.

Other entities, including commercial banks, commercial financing companies, other BDCs and insurance companies compete with us to make the types of investments that we plan to make in lower middle-market companies. Certain of these competitors may be substantially larger, have considerably greater financial, technical and marketing resources than we have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. Many competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the restrictions that the Code imposes on us as a RIC. As a result, it may be difficult for us to locate attractive investment opportunities.

We may be obligated to pay our Advisor incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.

Our Advisory Agreement entitles our Advisor to receive an incentive fee based on our net investment income regardless of any capital losses. In such case, we may be required to pay our Advisor an incentive fee for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. Our Advisor is not obligated to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a subsequent default, and such circumstances would result in our paying an incentive fee on income we never receive.

For federal income tax purposes, we are required to recognize taxable income in some circumstances in which we do not receive a corresponding payment in cash (such as PIK interest or deferred interest that is accrued as OID) and to make distributions with respect to such income to qualify as a RIC after we achieve such status. Under such circumstances, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. This difficulty in making the required distribution may be amplified to the extent that we are required to pay an incentive fee with respect to such accrued income. As a result, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital, or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

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

We will incur corporate-level income tax costs if we are unable to qualify as a RIC for U.S. tax purposes or if we are not able to distribute substantially all of our investment company taxable income in a timely fashion. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements:

- We must distribute to our stockholders on an annual basis at least 90% of our investment company taxable income, which consists of net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In the event we use debt financing, 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 satisfy the distribution requirement. In addition, our income for tax purposes may exceed our available cash flow. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.
- We must derive at least 90% of our gross income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.
- We must meet specified asset diversification requirements at the end of each quarter of our taxable year. The need to satisfy these requirements in order to prevent the loss of RIC status may result in our having to dispose of certain investments quickly on unfavorable terms. Because most of our investments will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for RIC tax treatment for any reason, the resulting federal income tax liability could substantially reduce our net assets, the amount of income available for distribution, and the amount of our distributions.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. Although a portion of our expected earnings and distributions will be attributable to net investment income, we do not expect to generate capital gains from the sale of our portfolio investments on a level or uniform basis from quarter to quarter. This may result in substantial fluctuations in our dividend payments.

In certain cases, we may recognize income before or without receiving cash representing the income. Depending on the amount of noncash income, this could result in difficulty satisfying the annual distribution requirement applicable to RICs. Accordingly, we may delay distributions during a year until we generate cash or 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 investments to meet these distribution requirements.

We may not generate significant, if any, capital gains during our initial years of operation and thus we are likely to pay distributions in those years principally from interest we receive from our initial and follow-on investments prior to the sale or refinancing of loans we make. Moreover, our ability to pay distributions in our initial years of operation will be based on our ability to invest our capital in suitable portfolio companies in a timely manner.

In addition, the lower middle-market companies in which we invest are generally more susceptible to economic downturns than larger operating companies, and therefore may be more likely to default on their payment obligations to us during recessionary periods. Any such defaults could substantially reduce our net investment income available for distribution to our stockholders.

To the extent OID and PIK constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include OID instruments and PIK arrangements. To the extent OID or PIK constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- OID instruments and PIK securities may have unreliable valuations because the accretion of OID as interest income and the continuing accruals of PIK securities require judgments about their collectability and the collectability of deferred payments and the value of any associated collateral.
- OID instruments may create heightened credit risks because the inducement to the borrower to accept higher interest rates in exchange for the deferral of cash payments typically represents, to some extent, speculation on the part of the borrower.
- For accounting purposes, cash distributions to shareholders that include a component of accreted OID income do not come from paid-in capital, although they may be paid from the offering proceeds. Thus, although a distribution of accreted OID income may come from the cash invested by stockholders, the 1940 Act does not require that shareholders be given notice of this fact.
- Higher interest and dividend rates on PIK securities reflects the payment deferral and increased credit risk associated with such instruments and PIK securities generally represent a significantly higher credit risk than coupon loans.
- The presence of accreted OID income and PIK income would create the risk of non-refundable cash payments to the Advisor in the form of incentive fees on income based on non-cash accreted OID income and PIK income accruals that may never be realized.
- Even if accounting conditions are met, borrowers on such securities could still default when our actual collection is expected to occur at the maturity of the obligation.

- PIK has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK also reduces the loan-to-value ratio at a compounding rate.
- The Tax Act requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt instruments that are treated under applicable tax rules as having OID (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each tax year a portion of the OID that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same tax year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute OID or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discount and include such amounts in our taxable income in the current tax year, instead of upon disposition, as an election not to do so would limit our ability to deduct interest expenses for tax purposes. Moreover, the Tax Act requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes.

For the year ended December 31, 2017, 17% of our total investment income consisted of PIK interest. Because PIK interest and any OID or other amounts accrued will be included in our investment company taxable income for the tax year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax.

Furthermore, we may invest in the equity securities of non-U.S. corporations (or other non-U.S. entities classified as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as “passive foreign investment companies” and/or “controlled foreign corporations.” The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances, these rules also could require us to recognize taxable income or gains where we do not receive a corresponding payment in cash.

PIK interest payments we receive increases our assets under management and, as a result, increases the amount of base management fees and incentive fees payable by us to our Advisor.

For the year ended December 31, 2017, 17% of our total investment income consisted 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 has the effect of increasing our assets under management. As a result, because the base management fee that we pay to our Advisor is based on the value of our gross assets, the receipt by us of PIK interest results in an increase in the amount of the base management fee payable by us. In addition, any such increase in a loan balance due to the receipt of PIK interest causes such loan to accrue interest on the higher loan balance, which will result in an increase in our pre-incentive fee net investment income and, as a result, an increase in incentive fees that are payable by us to our Advisor.

As of the date hereof, we are controlled by a small number of stockholders, each of whom have the ability to control or significantly influence our operations.

As of April 2, 2018, GrayCo Alternative Partners II, LP, a private fund managed by Consequent Capital Management, LLC, owns approximately 62.5% of our issued and outstanding common stock. A second investor, District 1199J New Jersey Healthcare Employers Pension Fund, owns approximately 32.5% of our issued and outstanding common stock. While we are engaged in a private offering of shares and anticipate accepting subscriptions from additional investors, there can be no assurances that additional subscriptions will be received and accepted. Unless and until we raise significantly more capital in our private offering, GrayCo Alternative Partners II, LP will maintain a controlling interest in our operations and District 1199J New Jersey Healthcare Employers Pension Fund will have the ability to significantly influence our operations.

You may be subject to filing requirements under the Exchange Act as a result of your investment in the Company.

Because our common stock is registered under the Exchange Act, ownership information for any person who beneficially owns 5% or more of our common stock will have to be disclosed in a Schedule 13G or other filings with the SEC. Beneficial ownership for these purposes is determined in accordance with the rules of the SEC, and includes having voting or investment power over the securities. In some circumstances, investors who choose to reinvest their dividends may see their percentage stake in us increase to more than 5%, thus triggering this filing requirement. Although we will provide in our quarterly statements the amount of outstanding stock and the amount of the investor's stock, the responsibility for determining the filing obligation and preparing the filing remains with the investor.

You may be subject to the short-swing profits rules under the Exchange Act as a result of your investment in the Company.

Persons with the right to appoint a director or who hold more than 10% of a class of our shares may be subject to Section 16(b) of the Exchange Act, which recaptures for the benefit of the Company profits from the purchase and sale of registered stock within a six-month period.

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

Our Board has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) 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 value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies will be subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy to avail ourselves of new or different opportunities. Such changes could result in material differences to our strategies and plans and may result in our investment focus shifting from the areas of expertise of our Adviser to other types of investments in which our Adviser may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of our stockholders' investment.

Future disruptions or instability in capital markets could negatively impact the valuation of our investments and our ability to raise capital.

From time to time, the global capital markets may experience periods of disruption and instability, which could be prolonged and which could materially and adversely impact the broader financial and credit markets, have a negative impact on the valuations of our investments and reduce the availability to us of debt and equity capital. For example, between 2008 and 2009, instability in the global capital markets resulted in disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. More recently, the macroeconomic environment, including concerns regarding the Chinese economy, declines in commodity prices and increasing volatility, has led to, and may continue to lead to, decreased prices in the broadly syndicated credit market as investors re-price credit risk. While our investments will generally not be publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity) and impairments of the market values or fair market values of our investments, even if unrealized, must be reflected in our financial statements for the applicable period, which could result in significant reductions to our net asset value for the period. With certain limited exceptions, we are only allowed to borrow amounts or issue debt securities if our asset coverage, as calculated pursuant to the 1940 Act, equals at least 200% immediately after such borrowing. See “*Item 1. Business—Regulation as a Public Business Development Company—Limitations on Leverage.*” If we are unable to raise capital or refinance existing debt on acceptable terms, then we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes.

In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union (“Brexit”), and, accordingly, on February 1, 2017, the U.K. Parliament voted in favor of allowing the U.K. government to begin the formal process of Brexit. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union, and this uncertainty and instability may last indefinitely. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal and monetary policies of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets.

Additionally, the Republican Party currently controls both the executive and legislative branches of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and capital markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Unfavorable economic conditions or other factors may affect our ability to borrow for investment purposes, and may therefore adversely affect our ability to achieve our investment objective.

Unfavorable economic conditions or other factors 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. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any.

Terrorist attacks, acts of war or natural disasters may affect any market for our common stock, impact the businesses in which we invest and harm our business, operating results and financial condition.

Terrorist acts, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and may contribute to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

Recently-enacted legislation may allow us to incur additional leverage.

As a BDC, we are generally not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). On March 23, 2018, President Trump signed into law the 2018 omnibus spending bill, which includes the Small Business Credit Availability Act that modifies the 1940 Act to permit an increase in the amount of debt that BDCs could incur by modifying the percentage from 200% to 150%, as long as certain conditions are met. See “*Item 1. Business—Regulation as a Public Business Development Company—Limitations on Leverage.*” As a result, if we comply with such conditions, we may be able to incur additional indebtedness in the future, which could increase the risk of an investment in us.

We may experience fluctuations in our operating results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

Our Advisor can resign on 60 days’ notice. We may not be able to find a suitable replacement within that timeframe, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our Advisor has the right, under the Advisory Agreement, to resign at any time upon not less than 60 days’ written notice, regardless of whether we have found a replacement. If our Advisor resigns, we may not be able to find a new investment adviser 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, and our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected.

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

We have entered into the Advisory Agreement with our Advisor that provides that Management Fees are based on the value of our gross 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. Because Management Fees are based on the value of our gross assets, our Advisor will benefit when we incur debt or use leverage. This fee structure may encourage our Advisor to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor our stockholders.

Our incentive fee may induce our Advisor to make speculative investments.

Our Advisor will receive an incentive fee based, in part, upon net realized gains on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net realized gains. Additionally, under the incentive fee structure, our Advisor may benefit when capital gains are recognized and, because our Advisor will determine when to sell a holding, our Advisor will control the timing of the recognition of such capital gains. As a result, our Advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

To the extent that we do not realize income or choose not to retain after-tax realized capital gains, we will have a greater need for additional capital to fund our investments and operating expenses.

As a RIC, we must annually distribute at least 90% of our investment company taxable income as a dividend and may either distribute or retain our realized net capital gains from investments. Earnings that we are required to distribute to stockholders will generally not be available to fund future investments. Accordingly, we may have insufficient funds to make new and follow-on investments, which could have a material adverse effect on our financial condition and results of operations.

The Advisory Agreement was not negotiated on an arm's length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

The Advisory Agreement was negotiated between related parties. Consequently, its terms, including fees payable to our Advisor, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under this agreement because of our desire to maintain our ongoing relationship with our Advisor. Any such decision, however, would breach our fiduciary obligations to our stockholders.

Risks Related to Our Portfolio Company Investments

Our target investments are risky and highly speculative, and the lower middle-market companies we target may have difficulty accessing the capital markets to meet their future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Investing in lower middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their 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 us realizing any guarantees we may have obtained in connection with our investment;
- they 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 market conditions, as well as general economic downturns;

- they 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 our portfolio company and, in turn, on us;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity; and
- some of our portfolio companies will conduct business in regulated industries that are susceptible to regulatory changes.

A portion of our debt securities may be rated below investment grade, or of comparative quality, and may be considered speculative.

Typically, the debt in which we invest will not be rated by any rating agency; however, we believe that if such investments were rated, they would be below investment grade. The lower grade investments in which we invest may be rated below investment grade by one or more nationally recognized statistical rating agencies at the time of investment or may be unrated but determined by our Advisor to be of comparable quality. Loans or debt securities rated below investment grade are considered speculative with respect to the issuer's capacity to pay interest and repay principal.

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 our portfolio companies 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 value of our portfolio securities may not have a readily available market price and, in such a case, we will value these securities at fair value as determined in good faith by the Board, which valuation is inherently subjective and may not reflect what we may actually realize for the sale of the investment.

Our investments will be valued at the end of each fiscal quarter. Substantially all of our investments are expected to be in loans that do not have readily ascertainable market prices. The fair value of assets that are not publicly traded or whose market prices are not readily available will be determined in good faith by the Board with assistance from our Advisor. The Board has retained an independent valuation provider to assist it by performing certain limited third-party valuation services for directly originated loans in our portfolio. In connection with that determination, investment professionals from our Advisor will prepare portfolio company valuations using sources and/or proprietary models depending on the availability of information on our assets and the type of asset being valued, all in accordance with our valuation policy. The participation of our Advisor in our valuation process could result in a conflict of interest, since the Management Fee is based in part on our gross assets.

Because fair valuations, and particularly fair valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based to a large extent on estimates, comparisons and qualitative evaluations of private information, our determinations of fair value may differ materially from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for investors to accurately value our portfolio investments and could lead to undervaluation or overvaluation of our shares of common stock. In addition, the valuation of these types of securities may result in substantial write-downs and earnings volatility.

Our portfolio securities may be thinly traded or not traded at all, and, as a result, the lack of liquidity in our investments may adversely affect our business.

We will generally make loans to private companies. The illiquidity of these investments may make it difficult for us to sell positions 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 had previously recorded such investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we hold a significant portion of a company's equity or if we have material non-public information regarding that company.

Our portfolio may be focused in a limited number of portfolio companies, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

Until we raise significant amounts of capital, our portfolio may be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC for U.S. tax purposes, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, the aggregate returns we realize may be significantly and adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could significantly affect our aggregate returns.

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

Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments 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 proceeds. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Our portfolio companies may be highly leveraged.

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

Our stockholders will not have input into the investment decisions made by our Advisor's Investment Committee.

Our investments are selected by our Advisor's investment professionals, subject to the approval of its Investment Committee, and our stockholders will not have input into our investment decisions. These factors increase the uncertainty, and possibly also the risk, of investing in our common stock as compared with an established portfolio and operating history. Depending on the size of a subscription received in our private offering, we anticipate that it may take three to six months to deploy substantially all of such proceeds in accordance with our investment objective and pursuant to our investment strategies. Pending these investments, we intend to temporarily invest the net proceeds from our private offering in cash, cash equivalents, U.S. government securities, repurchase agreements and high quality debt instruments maturing in one year or less from the time of investment. We expect these temporary investments to earn yields substantially lower than the income we expect to receive from our targeted investments in lower middle-market companies.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. 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 in a new portfolio company 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 elect to prepay amounts owed to us. Additionally, prepayments, net of prepayment fees, could negatively impact our return on equity.

Because we likely will not hold controlling interests in our portfolio companies, we may not be in a position to exercise control over such portfolio companies or to prevent decisions by management of such portfolio companies that could decrease the value of our investments.

We are a lender, and loans (and any equity investments we make) to our portfolio companies will be non-controlling investments, meaning we will not be in a position to control the management, operation and strategic decision-making of the companies we invest in. As a result, we will be subject to the risk that a portfolio company we do not control, or in which we do not have a majority ownership position, may make business decisions with which we disagree, and the equity holders and management of such portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we will typically hold in our portfolio companies, we may not be able to dispose of our investments in the event that we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

We will be exposed to risks associated with changes in interest rates.

As of December 31, 2017, approximately 9.83% of our portfolio consisted of debt investments based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high yield bonds, and also could increase our interest expense, thereby decreasing our net income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

The interest rates of some of our term loans to our portfolio companies are priced using a spread over LIBOR

LIBOR, the London interbank offered rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in term loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. Most of our term loan agreements with portfolio companies contain a stated minimum value for LIBOR.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities ("SOFR"). SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question. As such, the future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the credit agreements with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Our LIBOR based portfolio positions typically contain a LIBOR floor, which will insulate these positions from downward pressure on LIBOR.

The recent rise in LIBOR rates could have an adverse impact on the ability of our portfolio companies to service their debt obligations to us.

Some of our debt transactions contain LIBOR-based floating interest rates with minimum LIBOR floors. The minimum LIBOR floor insulates portfolio companies from an increase in LIBOR until the reference LIBOR rate reaches the minimum floor threshold, typically [1] percent. If LIBOR increases above the floor rate, the net effect will be an increase in the interest cost to the borrower. Our borrower portfolio companies typically do not hedge their LIBOR rate exposure, and as a result of an increase of LIBOR above the minimum floor threshold, they will experience an increase in the effective interest rate of their debt obligations to us. If LIBOR increases materially, the increased cost of debt service will similarly increase materially. If our portfolio companies are not adequately capitalized or are unable to generate sufficient income from operations, the increase debt burden caused by increased LIBOR rates could materially and adversely affect the operations of a portfolio company, which in turn, would impair our ability to timely collect principal and interest payments owed to us.

A covenant breach by our portfolio companies may 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 secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the 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.

We may not realize gains from our equity investments.

Certain investments that we may make may include warrants or other equity-linked securities. In addition, we may make direct equity investments in portfolio companies. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, 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. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We may be unable to exercise any put rights we acquire, which grant us the right to sell our equity securities back to the portfolio company, for the consideration provided in our investment documents if the issuer is in financial distress.

By originating loans to companies that are experiencing significant financial or business difficulties, we may be exposed to distressed lending risks.

As part of our lending activities, we may originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to us, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that we will correctly evaluate the value of the assets collateralizing our loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company that we fund, we may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by us to the borrower.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our relationships with portfolio companies. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. There is no guarantee that any processes, procedures and internal controls we have implemented or will implement will prevent cyber intrusions which could have a negative impact on our financial results, operations, business relationships or confidential information.

We are an “emerging growth company” under the JOBS Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are and we will remain an “emerging growth company” as defined in the JOBS Act until the earlier of: (a) the last day of the fiscal year: (i) in which we have total annual gross revenue of at least \$1.0 billion; or (ii) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th; and (b) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. For so long as we remain an “emerging growth company” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We cannot predict if investors will find our common stock less attractive because we will rely on some or all of these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our status as an “emerging growth company” under the JOBS Act may make it more difficult to raise capital as and when we need it.

Because of the exemptions from various reporting requirements provided to us as an “emerging growth company,” we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

Federal Income Tax Risks

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

In order for us to qualify for and maintain RIC tax treatment under Subchapter M of the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The Annual Distribution Requirement for RIC tax treatment will be satisfied if we distribute to our stockholders, for each tax year, dividends of an amount at least equal to the sum of 90% of our investment company taxable income, which is generally the sum of our ordinary net income and realized net short-term capital gains in excess of realized net long-term capital losses, without regard to any deduction for dividends paid. Because we may use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act and may in the future become subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.
- The 90% Income Test will be satisfied if we obtain at least 90% of our gross income for each tax year from dividends, interest, gains from the sale of securities or similar sources.
- The Diversification Tests requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our tax year. To satisfy these requirements, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly-traded partnerships.” Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

We must satisfy these tests on an ongoing basis in order to maintain RIC tax treatment, and may be required to make distributions to stockholders at times when it would be more advantageous to invest cash in our existing or other investments, or when we do not have funds readily available for distribution. Compliance with the RIC tax requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our stockholders’ investments. If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

Legislative or regulatory tax changes could adversely affect investors.

At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or our stockholders. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments.

The Tax Cuts and Jobs Act could have a negative effect on us and the holders of our securities.

On December 22, 2017, President Trump signed the Tax Act into law. The Tax Act makes significant changes to the U.S. federal income tax rules applicable to both individuals and entities, including corporations. The Tax Act includes provisions that, among other things, reduce the U.S. corporate tax rate, limit the interest deduction, limit the use of net operating losses to offset future taxable income and make extensive changes to the U.S. international tax system. The Tax Act is complex and far-reaching, and we cannot predict the impact its enactment will have on us and the holders of our securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our principal executive offices at Two Post Oak Center, 1980 Post Oak Boulevard, 15th Floor, Houston, Texas 77056. We do not own any real estate or other physical properties materially important to our operations. We believe that our present facilities are adequate to meet our current needs. If new or additional space is required, we believe that adequate facilities are available at competitive prices in the same area.

ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under loans to or other contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Market Information

There is currently no public market for our common stock, nor can we give any assurance that one will develop. As of the date hereof, none of our shares of common stock are subject to outstanding options or warrants, nor do we have any outstanding equity that is convertible into shares of our common stock. In addition, as of the date hereof, we have not granted any registration rights to any of our stockholders. No stock has been authorized for issuance under any equity compensation plans.

Holders

Set forth below is a chart describing the classes of our securities outstanding as of April 2, 2018:

| (1) Title of Class | (2) Amount Authorized | (3) Amount Held by Us or for Our Account | (4) Amount Outstanding Exclusive of Amount Under Column (3) |
|-----------------------|-----------------------------|---|---|
| Common Stock | 50,000,000 | — | 4,000,010 |
| Preferred Stock | 10,000,000 | — | — |

As of April 2, 2018, we had 4 record holders of our common stock.

Distributions

We generally intend to distribute, out of assets legally available for distribution, substantially all of our available earnings, as determined by our Board in its discretion. On December 21, 2017, our board of directors authorized the declaration of a cash distribution of approximately \$661,000 for the fiscal year ended December 31, 2017 (the "Distribution"), an amount equal to \$0.17 per share of common stock, that was paid to the Company's stockholders on December 21, 2017. For the fiscal year ended December 31, 2016, our board of directors authorized the declaration of a cash distribution of approximately \$1.1 million, an amount equal to \$0.28 per share of common stock, which was paid on December 21, 2016.

Valuation of Portfolio Securities

We determine the net asset value per share of our common stock quarterly. The net asset value per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. At present, we do not have any preferred stock outstanding.

Our investments are valued at the end of each fiscal quarter. Substantially all of our investments are in loans that do not have readily ascertainable market prices. The fair value of assets that are not publicly traded or whose market prices are not readily available are determined in good faith by our Board with the assistance of our Advisor and one or more third party valuation firms. In connection with that determination, investment professionals from our Advisor will prepare portfolio company valuations using sources and/or proprietary models depending on the availability of information on our assets and the type of asset being valued, all in accordance with our valuation policy. The Board may retain one or more independent valuation providers to assist it by performing certain limited third-party valuation services. The participation of our Advisor in our valuations process could result in a conflict of interest, since the Management Fee is based in part on our total assets. Because fair valuations, and particularly fair valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based to a large extent on estimates, comparisons and qualitative evaluations of private information, our determinations of fair value may differ materially from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for investors to value accurately our portfolio investments and could lead to undervaluation or overvaluation of our common shares. In addition, the valuation of these types of securities may result in substantial write-downs and earnings volatility.

Recent Sales of Unregistered Securities

None

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for the years ended December 31, 2017, 2016, and 2015, and for the period from November 25, 2014 (date of inception) to December 31, 2014, is derived from our financial statements which have been audited by Mazars USA LLP, our independent registered public accounting firm. The data should be read in conjunction with our financial statements and related notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report on Form 10-K.

| | Year Ended December 31, | | | For the Period From November 25, 2014 (date of inception) to December 31, 2014 |
|---|-------------------------|-----------|-----------|---|
| | 2017 | 2016 | 2015 | 2014 |
| Investment income | \$ 3,866 | \$ 3,592 | \$ 863 | \$ - |
| Operating expenses | | | | |
| Total expenses | 2,665 | 2,436 | 1,118 | 67 |
| Less: Waiver of management fees | (281) | (142) | - | - |
| Net expenses | 2,384 | 2,294 | 1,118 | 67 |
| Net investment income (loss) | 1,482 | 1,298 | (255) | (67) |
| Total net realized and unrealized gain (loss) | 7 | (1,870) | (264) | - |
| Net increase (decrease) in net assets resulting from operations | \$ 1,489 | \$ (572) | \$ (519) | \$ (67) |
| Per share information - basic and diluted | | | | |
| Net investment income (loss) (a) | \$ 0.38 | \$ 0.34 | \$ (0.11) | (d) |
| Net increase (decrease) in net assets resulting from operations (a) | \$ 0.38 | \$ (0.15) | \$ (0.23) | (d) |
| Distributions declared (b) | \$ 0.17 | \$ 0.28 | \$ - | \$ - |
| Balance sheet data: | | | | |
| Total assets | \$ 58,369 | \$ 48,125 | \$ 39,106 | \$ - |
| Total net assets | \$ 38,593 | \$ 35,765 | \$ 37,414 | \$ (67) |
| Other data: | | | | |
| Total return based on net asset value (c) | 4.01% | -1.56% | -1.37% | (d) |
| Number of portfolio company investments at period end | 10 | 11 | 8 | - |
| Total portfolio investments for the period | \$ 35,349 | \$ 29,955 | \$ 25,500 | \$ - |
| Proceeds from sales and prepayments of investments | \$ 61,429 | \$ 37,108 | \$ 1,098 | \$ - |

- a. For 2017 and 2016, the per share data was derived by using the weighted average shares outstanding during the period. Per share information for 2015 was calculated using weighted average shares outstanding from commencement of operations on April 24, 2015 through December 31, 2015.
- b. The per share data for distributions reflects the actual amount of distributions declared and paid per share during the applicable period.
- c. The total return for the years ended December 31, 2017 and 2016 were calculated by taking the net income (loss) of the Company for the period divided by the average net assets during the period. The total return for the year ended December 31, 2015 was calculated by taking the net loss of the Company for the period divided by the common stock issued during the period.
- d. Information was not calculated for the period from November 25, 2014 (date of inception) to December 31, 2014 as the Company had not yet commenced principal operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This report contains forward looking statements that involve substantial risks and uncertainties. These forward looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and are difficult to predict, that could cause actual results to differ materially from those expressed or forecasted in the forward looking statements including, without limitation:

- The effect of an economic downturn on our portfolio companies' ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit, which could impair our lending and investment activities;
- interest rate volatility, which could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;
- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the ability of our portfolio companies to achieve their objectives;
- competition with other entities for investment opportunities;
- the speculative and illiquid nature of our investments;
- the use of borrowed money to finance a portion of our investments;
- the adequacy of our financing sources and working capital;
- the costs associated with being a public entity;
- the loss of key personnel;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of our Advisor to locate suitable investments for us and to monitor and administer our investments;
- our ability to attract and retain highly talented professionals that can provide services to our Advisor and Administrator;
- our ability to qualify and maintain our qualification as a RIC under Subchapter M of the Code and as a BDC; and
- the effect of legal, tax and regulatory changes.

Although we believe that the assumptions on which these forward looking statements are based are reasonable, some of those assumptions are based on the work of third parties and any of those assumptions could prove to be inaccurate; as a result, the forward looking statements based on those assumptions also could prove to be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward looking statement in this report should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward looking statements, which apply only as of the date of this report. We do not undertake any obligation to update or revise any forward looking statements, or any other information contained herein, except as required by applicable law. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, which preclude civil liability for certain forward looking statements are not applicable to us since we are a BDC under the 1940 Act. As used herein, the terms "we," "our" and "us" refer to Parkview Capital Credit, Inc.

Overview

We were incorporated under the laws of the State of Maryland on November 25, 2014. We filed an election to be regulated as a BDC under the 1940 Act, and elected to be treated as a RIC, for federal income tax purposes beginning with our tax year ending June 30, 2017. As such, we are required to comply with various regulatory requirements, such as the requirement to invest at least 70% of our assets in “qualifying assets,” source of income limitations, asset diversification requirements, and the requirement to distribute annually at least 90% of our taxable income and tax-exempt interest.

All amounts presented are in thousands, except share and per share data.

Revenues

We generate revenues in the form of interest income from the debt securities we hold and dividends and capital appreciation on either direct equity investments or equity interests obtained in connection with originating loans, such as options, warrants or conversion rights. The debt we invest in will typically not be rated by any rating agency, but if it were, it is likely that such debt would be below investment grade. We intend to structure our debt investments with interest payable quarterly, semi-annually or annually, but we may structure certain investments with terms to provide for longer interest payment periods or to allow interest to be paid by adding amounts due to the principal balance of the loan, resulting in deferred cash receipts. In addition, we may also generate revenue in the form of commitment, loan origination, structuring or diligence fees, fees for providing managerial assistance to our portfolio companies, and possibly consulting fees. Certain of these fees may be capitalized and amortized as additional interest income over the life of the related loan.

Expenses

All of our investment professionals and staff of our Advisor, when and to the extent engaged in providing us investment advisory and management services, and the base compensation, bonus and benefits, and the routine overhead expenses, of such personnel allocable to such services, are provided and paid for by our Advisor.

We bear all other costs and expenses of our operations, administration and transactions, including, but not limited to, those relating to:

- organization expenses;
- calculating our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expense, incurred by our Advisor, its investment professionals, or payable to third parties, performing due diligence on prospective portfolio companies;
- the costs of the offerings of common shares and other securities, if any;
- the base management fee and any incentive fee;
- certain costs and expenses relating to distributions paid on our shares;
- administration reimbursements payable under our Advisory Agreement;
- debt service and other costs of borrowings or other financing arrangements;

- the allocated costs incurred by our Advisor in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making or holding investments;
- transfer agent and custodial fees;
- costs of hedging;
- commissions and other compensation payable to brokers or dealers;
- federal, state and local taxes;
- independent director fees and expenses;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing;
- the costs of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholders' meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses reasonably incurred by us in connection with making investments and administering our business.

From time to time, our Advisor may pay amounts owed by us to third-party providers of goods or services. We will subsequently reimburse our Advisor for such amounts paid on our behalf. In addition, we reimburse the Advisor for the allocable portion of the compensation paid by the Advisor (or its affiliates) to our chief compliance officer and chief financial officer (based on the percentage of time such individuals devote, on an estimated basis, to the business and affairs of the Company). All of these expenses are ultimately borne by our stockholders.

Portfolio and Investment Activity

The fair value of our investments was approximately \$35,348 (excluding \$19,499 held in U.S. Treasury Bills) and \$29,955 (excluding \$11,999 held in U.S. Treasury Bills) in 10 and 11 portfolio companies as of December 31, 2017 and 2016, respectively. Our investment activity for the years ended December 31, 2017 and 2016 is as follows (information presented herein is at amortized cost unless otherwise indicated):

| | 2017 | 2016 |
|--|------------------|------------------|
| Amortized cost of investments, beginning | \$ 44,036 | \$ 25,746 |
| Cost of investments purchased | 73,651 | 54,563 |
| Paid-in-kind interest | 581 | 821 |
| Proceeds from sales and paydowns of investments | (61,429) | (37,108) |
| Net amortization of premiums on investments | 84 | 48 |
| Realized gain (loss) on sold/ repaid investments | 21 | (34) |
| Amortized cost of investments, ending | <u>\$ 56,944</u> | <u>\$ 44,036</u> |

Refer to “Part II. Financial Information, Item 8. Financial Statements and Supplementary Data – Note E” of this annual report on Form 10-K for a summary of the composition of our portfolio at amortized cost and fair value as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the investments in our portfolio were purchased at a weighted average price of 99.6% and 99.6% of par value, respectively. The weighted average yields, based on the amortized cost and fair value of our portfolio as of December 31, 2017, were 9.9% and 10.0%, respectively, and as of December 31, 2016, were 11.6% and 11.3%, respectively.

Our investments in Action Resources have been on non-accrual since the quarter ended June 30, 2017. Action Resources represents 7.3% of our portfolio at fair value as of December 31, 2017.

Direct Origination

We intend to leverage our Advisor’s industry relationships to directly source investment opportunities. Such investments are originated or structured for us or made by us and are not generally available to the broader market. These investments may include both debt and equity components. We believe directly originated investments may offer higher returns and more favorable protections than broadly syndicated transactions. The following tables present certain selected information regarding our direct originations for the years ended December 31, 2017 and 2016:

| | December 31, | |
|--|-----------------|------------------|
| | 2017 | 2016 |
| New Direct Originations | | |
| Total Commitments (including unfunded commitments) | \$ 9,719 | \$ 14,150 |
| Paid-in-Kind Interest | — | 155 |
| Exited Investments (including partial paydowns) | — | — |
| Net Direct Origination | <u>\$ 9,719</u> | <u>\$ 14,305</u> |

| | December 31, | | | |
|---|----------------------|-------------|----------------------|-------------|
| | 2017 | | 2016 | |
| | Commitment Amount | Percentage | Commitment Amount | Percentage |
| New Direct Originations by Asset Class | | | | |
| Senior Secured Loans - First Lien | \$ 3,425 | 35% | \$ 9,150 | 65% |
| Senior Secured Loans - Second Lien | - | 0% | 5,000 | 35% |
| Equity Investments | 6,294 | 65% | - | 0% |
| | <u>9,719</u> | <u>100%</u> | <u>14,150</u> | <u>100%</u> |

| | December 31, | |
|---|--------------|------------|
| | 2017 | 2016 |
| Average New Direct Origination Commitment Amount | \$ 2,430 | \$ 3,538 |
| Weighted Average Maturity for New Direct Originations | 0.86 years | 3.16 years |
| Gross Portfolio Yield (based on amortized cost) of New Direct Originations Funded during Period | 9.5% | 14.0% |

The following table presents certain selected information regarding our direct originations as of December 31, 2017 and 2016:

| Characteristics of All Direct Originations held in Portfolio | December 31, | |
|--|--------------|----------|
| | 2017 | 2016 |
| Number of Portfolio Companies | 6 | 5 |
| Average Annual EBITDA of Portfolio Companies | \$ 7,030 | \$ 5,800 |
| Average Leverage Through Tranche of Portfolio Companies - Excluding Equity/Other and Collateralized Securities (1) | 5.9x | 6.53x |
| Gross Portfolio Yield (based on amortized cost) of Funded Direct Originations | 11.7% | 14.5% |

(1) Average Leverage Through Tranche of Portfolio Companies - Excluding Equity-Other and Collateralized Securities is 2.89x and 3.34x as of December 31, 2017 and 2016, respectively, excluding the securities that are currently on non-accrual.

Portfolio Composition by Strategy and Industry

Although our primary focus is to invest in directly originated transactions, in certain circumstances we will also invest in the broadly syndicated loan and high yield markets. Broadly syndicated loans and bonds are generally more liquid than our directly originated investments and provide a complement to our less liquid strategies.

The table below summarizes the composition of our investment portfolio by strategy and enumerates the percentage, by fair value, of the total portfolio assets in such strategies:

| Portfolio Composition by Strategy | December 31, 2017 | | December 31, 2016 | |
|--|----------------------|----------------------------|----------------------|----------------------------|
| | Fair Value | Percentage of Portfolio | Fair Value | Percentage of Portfolio |
| Direct Origination | \$ 29,843 | 54% | \$ 19,688 | 47% |
| Broadly Syndicated | 5,505 | 10% | 10,267 | 24% |
| U.S. Government Securities | 19,499 | 36% | 11,999 | 29% |
| | <u>\$ 54,847</u> | <u>100%</u> | <u>\$ 41,954</u> | <u>100%</u> |

Refer to “Part II. Item 8. Financial Statements and Supplementary Data – Note E” of this annual report on Form 10-K for a description of investments by industry classification and the percentage, by fair value, of the total portfolio assets in such industries.

Recent Accounting Pronouncements

Refer to “*Part II. Item 8. Financial Statements and Supplementary Data- Note B*” of this annual report on Form 10-K for a description of recent accounting pronouncements.

Results of Operations

Comparison of the Years Ended December 31, 2017, 2016 and 2015

Investment Income

For the years ended December 31, 2017 and 2016, total investment income totaled \$3,866 and \$3,592, respectively, of which \$2,673 and \$2,397, respectively, was attributable to portfolio interest (excluding PIK interest) earned on our first and second lien senior secured loans, \$506 and \$268, respectively, was attributable to dividend income earned and \$106 and \$106, respectively, was attributable to amortization of loan origination fees received.

For the years ended December 31, 2017 and 2016, \$581 and \$821 of our total investment income constituted PIK interest. As of December 31, 2017, four of our portfolio companies pay all or a portion of their interest payments in the form of PIK interest, including our position in Action Resources, which was restructured so that the entire position is payable in PIK interest. Action Resources was placed on non-accrual during the quarter ended June 30, 2017. As of December 31, 2016, one of our investments paid a portion of its interest payment in the form of PIK interest. The increase in investment income was due to the increase in the size of our portfolio.

For the years ended December 31, 2016 and 2015, total investment income totaled \$3,592 and \$863, respectively, of which \$2,397 and \$831, respectively, was attributable to portfolio interest (excluding PIK interest) earned on our first and second lien senior secured loans, \$268 and \$20, respectively, was attributable to dividend income earned and \$106 and \$10, respectively, was attributable to amortization of loan origination fees received. The increase in investment income was due to the increase in the size of our portfolio.

For the years ended December 31, 2016 and 2015, \$821 and \$2 of our total investment income constituted PIK interest. As of December 31, 2016, five of our investments paid all or a portion of their interest payments in the form of PIK interest, including our position in Action Resources, which was restructured so that the entire position is payable in PIK interest. As of December 31, 2015, one of our investments paid a portion of its interest payment in the form of PIK interest.

Operating Expenses

Total operating expenses were \$2,384 for the year ended December 31, 2017, and consisted of base management fees of \$1,039 (less a fee waiver of \$281), professional fees of \$854, and other general and administrative expenses of \$772. Total operating expenses were \$2,294 for the year ended December 31, 2016, and consisted of base management fees of \$922 (less a fee waiver of \$142), professional fees of \$773, other general and administrative expenses of \$710 and provision for taxes of \$31. We did not incur any incentive fees for the years ended December 31, 2017 and 2016. Our operating expenses were 6.41% and 6.27% of our average net assets for the years ended December 31, 2017 and 2016, respectively. As we continue to execute our strategy, we expect our operating expenses as a percentage of our average net assets to decrease. Professional fees include legal, audit, compliance, valuation, technology and other professional fees incurred related to our management. Other general and administrative expenses include custody, printer fees, research, subscriptions and other costs.

In order to meet the diversification tests required to qualify as a RIC, the Company acquired the following in face value of short-term U.S. Treasury Bills:

| Date acquired | Amount of U.S Treasury Bills acquired |
|----------------------|--|
| December 28, 2017 | \$ 19,500 |
| September 27, 2017 | 15,000 |
| June 29, 2017 | 13,000 |
| March 29, 2017 | 12,500 |
| December 29, 2016 | 12,000 |
| June 28, 2016 | 10,000 |
| March 31, 2016 | 12,500 |

These transactions had the effect of increasing management fees payable to the Advisor in an amount of \$281 and \$142 for the years ended December 31, 2017 and 2016, respectively, all of which was also waived by the Advisor. There were no such transactions for the year ended December 31, 2015.

Total operating expenses were \$2,294 for the year ended December 31, 2016, and consisted of base management fees of \$922 (less a fee waiver of \$142), professional fees of \$773, other general and administrative expenses of \$710 and provision for taxes of \$31. Total operating expenses were \$1,118 for the year ended December 31, 2015, and consisted of base management fees of \$307, professional fees of \$471, other general and administrative expenses of \$277 and organizational costs incurred before commencing principal operations of \$63. We did not incur any incentive fees for the years ended December 31, 2016 and 2015. Our operating expenses were 6.27% and 5.99% of our average net assets for the years ended December 31, 2016 and 2015, respectively. As we continue to execute our strategy, we expect our operating expenses as a percentage of our average net assets to decrease. Professional fees include legal, audit, compliance, valuation, technology and other professional fees incurred related to our management. Other general and administrative expenses include custody, printer fees, research, subscriptions and other costs.

Net Investment Income (Loss)

Our net investment income (loss) totaled \$1,482, \$1,298 and (\$255), respectively (\$0.38, \$0.34 and (\$0.11) per weighted average shares outstanding), for the years ended December 31, 2017, 2016 and 2015.

Net Realized Gain (Loss) on Investments

For the years ended December 31, 2017, 2016 and 2015, we had net realized gains (losses) of \$21, (\$34) and (\$18), respectively, resulting from the sale of investments in our portfolio.

Net Unrealized Depreciation on Investments

Net unrealized depreciation on investments reflects the net change in the fair value of our investment portfolio. For the years ended December 31, 2017, 2016 and 2015, we had net unrealized depreciation of \$14, \$1,836 and \$246, respectively. The majority of the unrealized depreciation in 2016 stemmed from our investment in Action Resources, which was marked at 69% and 100% of par value at December 31, 2016 and 2015, respectively.

Changes in Net Assets from Operations

For the year ended December 31, 2017, we recorded a net increase in net assets resulting from operations of \$1,489, which is equal to \$0.38 per share calculated using weighted average shares outstanding. For the year ended December 31, 2016, we recorded a net decrease in net assets resulting from operations of \$572, which is equal to (\$0.15) per share calculated using weighted average shares outstanding. For the year ended December 31, 2015, we recorded a net decrease in net assets resulting from operations of \$519, which is equal to (\$0.23) per share calculated using weighted average shares outstanding from commencement of operations on April 24, 2015 through December 31, 2015.

Hedging

We may, but are not required to, enter into interest rate, foreign exchange or other derivative agreements to hedge interest rate, currency, credit or other risks, but we do not generally intend to enter into any such derivative agreements for speculative purposes. Such hedging activities, which would be in compliance with applicable legal and regulatory requirements, may include the use of futures, options and forward contracts. We would bear the costs incurred in connection with entering into, administering and settling any such derivative contracts. There can be no assurance any hedging strategy we employ will be successful. Since inception, we have not entered into any hedging transactions.

Financial Condition, Liquidity and Capital Resources

As of December 31, 2017 and 2016, we had cash and cash equivalents of approximately \$2,105 and \$5,491, respectively. We raise capital through a private offering of our shares in order to acquire a portfolio of debt and equity investments consistent with our investment objective and our investment strategy. We generate cash flows from fees, interest and dividends earned from our investments as well as principal repayments and proceeds from sales of our investments. The decrease in cash of \$3,386 was primarily driven by our investments in Lone Star Brewery Development, Inc., Lionbridge Technologies and Ebony Media Holdings, LLC, offset by the refinance of Turning Point Brands, Inc. (formerly North Atlantic Trading Company, Inc.) and the sale of our investment in InfoGroup, Inc.

Prior to deploying the capital we raise in our private offering of shares, we intend to invest in cash equivalents, U.S. government securities, repurchase agreements and high quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election and our status as a RIC.

We may borrow funds to make investments, to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities, or if the Board determines that leveraging our portfolio would be in our best interests.

Critical Accounting Policies

Our financial statements are prepared in conformity with GAAP, which requires us 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 revenues and expenses during the reporting periods. Critical accounting policies are those that require the application of management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In preparing the financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. In preparing the financial statements, management has utilized available information, including our past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments, giving due consideration to materiality. Actual results may differ from these estimates. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to those of companies in similar businesses. Refer to "Part II. Item 8. Financial Statements and Supplementary Data - Note B" of this annual report on Form 10-K for a description of the summary of significant accounting policies.

Contractual Obligations

We have entered into an agreement with our Advisor to provide us with investment advisory services. Refer to "Part II. Item 8. Financial Statements and Supplementary Data-Note D – Related Party Transactions – Advisory Agreement" for a discussion of the fees payable pursuant to the Investment Advisory Agreement.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements, including risk management of commodity pricing or other hedging practices.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates. As of December 31, 2017, our portfolio primarily consisted of investments paying fixed rates of interest. In addition, in the future we may seek to borrow funds in order to make additional investments. If we borrow funds to make additional investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we would be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we have debt outstanding, our cost of funds would increase, which could reduce our net investment income, especially to the extent we continue to hold fixed rate investments. If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Adverse developments resulting from changes in interest rates or hedging transactions could have a materially adverse effect on our business, financial condition and results of operations.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to a portion of our debt investments, especially to the extent that we hold variable rate investments. However, as of December 31, 2017, approximately 9.83% of our portfolio paid variable rates of interest. An increase in interest rates for these variable rate investments could make it easier for us to meet or exceed our incentive fee return, as defined in our Advisory Agreement, and may result in a substantial increase in our net investment income, and also to the amount of incentive fees payable to our Advisor with respect to our increasing pre-incentive fee net investment income. As of December 31, 2017, an increase of 50 basis points in the market interest rates would have resulted in the decrease of the value of our fixed rate investments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Parkview Capital Credit, Inc.

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statements of financial condition of Parkview Capital Credit, Inc. (the “Company”), including the schedule of investments, as of December 31, 2017 and 2016, and the related statements of operations, changes in net assets, cash flows, and financial highlights for each of the three years in the three-year period ended December 31, 2017 and the related notes (collectively referred to as the “financial statements and financial highlights”). In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations, changes in net assets, cash flows, and financial highlights for each of the three years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements and financial highlights 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 and financial highlights 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 Company’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 and financial highlights, 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 and financial highlights. Our procedures included physical inspection or confirmation of securities owned as of December 31, 2017 and 2016, or by other appropriate auditing procedures where replies were not received. 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 and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mazars USA LLP

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

New York, New York
April 2, 2018

PARKVIEW CAPITAL CREDIT, INC.
STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share information)

| | <u>December 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|---|------------------------------------|------------------------------------|
| Assets | | |
| Investments at fair value | | |
| Non-controlled/ unaffiliated investments (amortized cost \$48,780 and \$42,166, respectively) | \$ 46,582 | \$ 40,197 |
| Controlled/ affiliated investments (amortized cost \$8,164 and \$1,870, respectively) | 8,265 | 1,757 |
| Total investments, at fair value (amortized cost \$56,944 and \$44,036, respectively) | <u>54,847</u> | <u>41,954</u> |
| Cash and cash equivalents | 2,105 | 5,491 |
| Interest receivable | 766 | 338 |
| Dividend receivable | 538 | 177 |
| Receivable for investments sold and repaid | — | 9 |
| Prepaid expenses and other assets | 113 | 156 |
| Total assets | <u>\$ 58,369</u> | <u>\$ 48,125</u> |
| Liabilities and stockholders' equity | | |
| Liabilities | | |
| Payable for investments purchased | \$ 19,502 | \$ 11,999 |
| Accounts payable and accrued expenses | 52 | 70 |
| Due to advisor | 2 | — |
| Loan origination fees, net | 141 | 215 |
| Management fees payable | 79 | 76 |
| Total liabilities | <u>19,776</u> | <u>12,360</u> |
| Commitments and contingencies (see note I) | | |
| Stockholders' equity | | |
| Preferred stock, par value \$0.01 per share, 10,000,000 shares authorized, no shares issued and outstanding at December 31, 2017 and 2016 | — | — |
| Common stock, par value \$0.01 per share, 50,000,000 shares authorized, 4,000,010 and 3,800,010 shares issued and outstanding at December 31, 2017 and 2016, respectively | 40 | 38 |
| Additional paid-in capital | 39,928 | 37,930 |
| Accumulated undistributed net realized loss on investments | (4) | (25) |
| Accumulated undistributed net investment income (loss) | 726 | (96) |
| Net unrealized depreciation on investments | (2,097) | (2,082) |
| Total stockholders' equity | <u>38,593</u> | <u>35,765</u> |
| Total liabilities and stockholders' equity | <u>\$ 58,369</u> | <u>\$ 48,125</u> |
| Net asset value per share | <u>\$ 9.65</u> | <u>\$ 9.41</u> |

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
STATEMENTS OF OPERATIONS
(in thousands, except share information)

| | For the Years Ended December 31, | | |
|--|---|-----------------|-----------------|
| | 2017 | 2016 | 2015 |
| Investment income | | | |
| From non-controlled/ unaffiliated investments: | | | |
| Net interest income | \$ 2,779 | \$ 2,503 | \$ 841 |
| Paid-in-kind interest | 581 | 821 | 2 |
| From controlled/ affiliated investments: | | | |
| Dividend income | 506 | 268 | 20 |
| Total investment income | 3,866 | 3,592 | 863 |
| Operating expenses | | | |
| Organizational expenses | - | - | 63 |
| Management fees | 1,039 | 922 | 307 |
| Professional fees | 854 | 773 | 471 |
| General and administrative expenses | 772 | 710 | 277 |
| Total expenses before expense waiver and provision for taxes | 2,665 | 2,405 | 1,118 |
| Waiver of management fees | (281) | (142) | - |
| Provision for taxes | - | 31 | - |
| Total operating expenses | 2,384 | 2,294 | 1,118 |
| Net investment income (loss) | 1,482 | 1,298 | (255) |
| Realized and unrealized income (loss) | | | |
| Net realized loss on investments | 21 | (34) | (18) |
| Net change in unrealized depreciation on investments | (14) | (1,836) | (246) |
| Total net realized and unrealized loss on investments | 7 | (1,870) | (264) |
| Net increase (decrease) in net assets resulting from operations | \$ 1,489 | \$ (572) | \$ (519) |
| Per share information - basic and diluted (a) | | | |
| Weighted average - net increase (decrease) in net assets resulting from operations | \$ 0.38 | \$ (0.15) | \$ (0.23) |
| Weighted average - net investment income (loss) per common share | 0.38 | 0.34 | (0.11) |
| Weighted average shares outstanding | 3,902,208 | 3,800,010 | 2,257,978 |

Parkview Capital Credit, Inc. commenced principal operations on April 24, 2015.

(a) Per share information for 2015 was calculated using weighted average shares outstanding from commencement of operations on April 24, 2015 through December 31, 2015.

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except share information)

| | For the Years Ended December 31, | | |
|---|---|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Increase (decrease) from operations | | | |
| Net investment income (loss) | \$ 1,482 | \$ 1,298 | \$ (255) |
| Net realized gain (loss) on investments | 21 | (34) | (18) |
| Net change in unrealized depreciation on investments | (14) | (1,836) | (246) |
| Net increase (decrease) in net assets resulting from operations | <u>1,489</u> | <u>(572)</u> | <u>(519)</u> |
| Stockholder distributions | | | |
| Distributions from net investment income | (661) | (1,077) | — |
| Net decrease in net assets from stockholder distributions | <u>(661)</u> | <u>(1,077)</u> | <u>—</u> |
| Capital Share Transactions | | | |
| Issuance of common stock | 2,000 | — | 38,000 |
| Net increase in net assets from capital share transactions | <u>2,000</u> | <u>—</u> | <u>38,000</u> |
| Total increase (decrease) in net assets | 2,828 | (1,649) | 37,481 |
| Net assets at beginning of period | 35,765 | 37,414 | (67) |
| Net assets at end of period | <u>\$ 38,593</u> | <u>\$ 35,765</u> | <u>\$ 37,414</u> |
| Net asset value per common share | <u>\$ 9.65</u> | <u>\$ 9.41</u> | <u>\$ 9.85</u> |
| Common shares outstanding, end of period | <u>4,000,010</u> | <u>3,800,010</u> | <u>3,800,010</u> |

Parkview Capital Credit, Inc. commenced principal operations on April 24, 2015.

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
STATEMENTS OF CASH FLOWS
(in thousands)

| | For the Years Ended December 31, | | |
|--|---|-----------------|------------------|
| | 2017 | 2016 | 2015 |
| Cash flows from operating activities | | | |
| Net decrease in net assets resulting from operations | \$ 1,489 | \$ (572) | \$ (519) |
| Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities | | | |
| Purchases of investments | (71,650) | (54,563) | (26,863) |
| Paid-in-kind interest | (581) | (821) | (2) |
| Paydowns of investments | 107 | 586 | 159 |
| Sales of investments | 61,322 | 36,522 | 939 |
| Loan origination fee amortization | (158) | (106) | (10) |
| Net unrealized depreciation on investments | 14 | 1,836 | 246 |
| Net amortization of premiums on investments | (84) | (48) | 3 |
| Realized (loss) gain on sold/repaid investments | (21) | 34 | 18 |
| Decrease (increase) in operating assets: | | | |
| Accounts receivable | - | 26 | (26) |
| Interest receivable | (428) | (215) | (123) |
| Dividend receivable | (361) | (157) | (20) |
| Receivable for investments sold and repaid | 9 | 949 | (958) |
| | 43 | (35) | (121) |
| Prepaid expenses and other assets | | | |
| Increase (decrease) in operating liabilities: | | | |
| Payable for investments purchased | 7,503 | 10,527 | 1,472 |
| Accounts payable and accrued expenses | (16) | 44 | (41) |
| Loan origination fees | 84 | 191 | 140 |
| Management fees payable | 3 | 12 | 64 |
| Net cash used in operating activities | <u>(2,725)</u> | <u>(5,790)</u> | <u>(25,642)</u> |
| Cash flows from financing activities | | | |
| Issuance of common stock | - | - | 38,000 |
| Stockholder distributions | (661) | (1,077) | - |
| Net cash (used in) provided by financing activities | <u>(661)</u> | <u>(1,077)</u> | <u>38,000</u> |
| Total (decrease) increase in cash | (3,386) | (6,867) | 12,358 |
| Cash at beginning of period | 5,491 | 12,358 | - |
| Cash at end of period | <u>\$ 2,105</u> | <u>\$ 5,491</u> | <u>\$ 12,358</u> |
| Supplemental disclosures of cash flow information | | | |
| Cash paid during year for income taxes | <u>\$ -</u> | <u>\$ 84</u> | <u>\$ -</u> |
| Supplemental disclosures of non-cash financing activities | | | |
| Issuance of common stock | <u>\$ 2,000</u> | <u>\$ -</u> | <u>\$ -</u> |

Parkview Capital Credit, Inc. commenced principal operations on April 24, 2015.

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
SCHEDULE OF INVESTMENTS
(in thousands, except share information)
AS OF DECEMBER 31, 2017

| <u>Portfolio Company (a)</u> | <u>Industry</u> | <u>Spread Above Index (b)</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Principal</u> | <u>Amortized Cost</u> | <u>Fair Value (c)</u> | <u>% of Net Assets</u> |
|--|---|-------------------------------|----------------------|-----------------|------------------|-----------------------|-----------------------|------------------------|
| Senior Secured Loans - First Lien | | | | | | | | |
| Ebony Media Holdings, LLC (d) | Media | N/A | 12%, 2% PIK | (h) | 5,719 | \$ 5,649 | \$ 5,489 | 14.2% |
| Ebony Media Holdings, LLC (d) | Media | N/A | (f) | 11/11/2018 | 2,176 | 2,176 | 2,067 | 5.4% |
| Ebony Media Holdings, LLC (d) | Media | P + 4.00% | 8.25% | 10/31/2018 | 1,250 | 1,250 | 1,250 | 3.2% |
| Medi-fare Drug & Pharmaceutical Compounding, LLC (d) | Healthcare | N/A | 10%, 4% PIK | 5/25/2018 | 3,763 | 3,752 | 3,726 | 9.7% |
| Total Senior Secured Loans - First Lien | | | | | | 12,827 | 12,532 | 32.5% |
| Senior Secured Loans - Second Lien | | | | | | | | |
| Turning Point Brands, Inc. | Tobacco | N/A | 11.00% | 8/17/2022 | 1,000 | 992 | 1,020 | 2.6% |
| Lionbridge Technologies | Translation and Interpretation Services | L + 9.75% | 10.80% | 2/28/2025 | 2,000 | 1,964 | 1,970 | 5.1% |
| Action Resources (d) (h) | Specialized Freight Trucking | L + 10.00% PIK | 11.00% PIK | 4/29/2022 | 905 | 905 | 905 | 2.3% |
| Action Resources (d) (h) | Specialized Freight Trucking | 8.00% PIK | 8.00% PIK | 8/31/2021 | 2,714 | 2,714 | 2,206 | 5.7% |
| Action Resources (d) (h) | Specialized Freight Trucking | 9.00% PIK | 9.00% PIK | 8/31/2021 | 2,171 | 2,171 | 912 | 2.4% |
| Transportation Demand Management, LLC (d) | Charter Bus Industry | N/A | 12%, 2% PIK | 10/1/2021 | 5,102 | 5,102 | 4,975 | 12.9% |
| American Bath Group, LLC | Manufacturing | L + 9.75% | 10.75% | 9/30/2024 | 2,000 | 1,932 | 2,008 | 5.2% |
| Anchor Glass Container Corporation | Manufacturing | L + 7.75% | 8.75% | 12/7/2024 | 500 | 496 | 507 | 1.3% |
| Total Senior Secured Loans - Second Lien | | | | | | \$ 16,276 | \$ 14,503 | 37.5% |

PARKVIEW CAPITAL CREDIT, INC.
SCHEDULE OF INVESTMENTS
(in thousands, except share information)
AS OF DECEMBER 31, 2017 (Continued)

| Portfolio Company (a) | Industry | Dividend Rate | Number of Shares | Amortized Cost | Fair Value (c) | % of Net Assets |
|--|------------------------------|----------------------|-------------------------|-----------------------|-----------------------|------------------------|
| Equity Investments | | | | | | |
| Langham Creek LLC; Preferred Units (d) | Real Estate | 14.00% | 2,168,600 | \$ 2,169 | \$ 2,102 | 5.4% |
| Langham Creek LLC; Common Units (d) | Real Estate | N/A | 1,000 | 1 | 1 | .0% |
| Ebony Media Holdings, LLC; Warrants (d) | Media | N/A | 50,000 | 119 | - | .0% |
| Medi-fare Drug & Pharmaceutical Compounding, LLC; Warrants (d) | Healthcare | N/A | 5 | 59 | 49 | .1% |
| Transportation Demand Management; Warrants (d) | Charter Bus Industry | N/A | 34,000 | - | - | - |
| Action Resources; Common Units (d) (g) | Specialized Freight Trucking | N/A | (i) | - | - | - |
| Lone Star Brewery Development, Inc.; Preferred Units (d) | Real Estate | 12.00% | 1,427 | 3,994 | 4,205 | 10.9% |
| Lone Star Brewery Development, Inc.; Common Units (d) | Real Estate | N/A | 1,000 | 2,000 | 1,956 | 5.1% |
| Total Equity Investments | | | | \$ 8,342 | \$ 8,313 | 21.5% |

| Portfolio Company (a) | Yield to Maturity | Maturity Date | Number of Shares | Principal | Amortized Cost | Fair Value (c) | % of Net Assets |
|--|--------------------------|----------------------|-------------------------|------------------|-----------------------|-----------------------|------------------------|
| U.S Government Securities | | | | | | | |
| U.S. Treasury Bill (e) | 1.085% | 1/11/2018 | 19,507,000 | 19,499 | \$ 19,499 | \$ 19,499 | 50.5% |
| Total U.S Government Securities | | | | | 19,499 | 19,499 | 50.5% |
| Total Investments | | | | | \$ 56,944 | \$ 54,847 | 142.0% |
| Liabilities in excess of other assets | | | | | | (16,254) | -42.0% |
| Net assets | | | | | | \$ 38,593 | 100.0% |

(a) With the exception of the Company's investments in Langham Creek LLC, Turning Point Brands, Inc. and Lone Star Brewery Development, Inc., all of the Company's investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Under the 1940 Act, the Company would be deemed to "control" a portfolio company if the Company owned more than 25% of its outstanding voting securities and/or held the power to exercise control over the management or policies of the portfolio company. The Company would be deemed an "affiliated person" of a portfolio company if the Company owned 5% or more of the portfolio company's outstanding voting securities. As of December 31, 2017, the Company is an "affiliated person" of Langham Creek LLC by virtue of its ownership of voting securities of Langham Creek LLC.

PARKVIEW CAPITAL CREDIT, INC.
SCHEDULE OF INVESTMENTS
(in thousands, except share information)
AS OF DECEMBER 31, 2017 (Continued)

As of December 31, 2017, the Company is deemed to be an “affiliated person” of and deemed to “control” Lone Star Brewery Development, Inc. The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person of and deemed to control as of December 31, 2017:

| Portfolio Company | Fair Value at December 31, 2016 | Purchases | Sales and Repayments | Accretion of Discount | Net realized gain (loss) | Net Change in Unrealized Appreciation (Depreciation) | Fair Value at December 31, 2017 | Interest Income | Fee Income | Dividend income |
|--|---------------------------------|-----------|----------------------|-----------------------|--------------------------|--|---------------------------------|-----------------|------------|-----------------|
| Equity Investment | | | | | | | | | | |
| Langham Creek LLC; Preferred Units | \$ 1,756 | \$ 300 | \$ - | \$ - | \$ - | \$ 46 | \$ 2,102 | \$ - | \$ - | \$ 293 |
| Langham Creek LLC; Common Units | 1 | - | - | - | - | - | 1 | - | - | - |
| Lone Star Brewery, Inc.; Preferred Units | - | 3,994 | - | - | - | 211 | 4,205 | - | - | 209 |
| Lone Star Brewery, Inc.; Common Units | - | 2,000 | - | - | - | (44) | 1,956 | - | - | - |

- (b) Certain investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (“LIBOR” or “L”) or the U.S. Prime Rate (“P”) which generally reset monthly, quarterly, or semiannually. For each, the Company has provided the spread over LIBOR and the current contractual interest rate in effect at December 31, 2017. Certain investments are subject to a LIBOR interest rate floor.
- (c) The fair value of the Company’s investments was determined in good faith by or under the guidance of the Company’s board of directors (the “Board”) pursuant to the Company’s valuation policies.
- (d) Direct origination.
- (e) Position or portion thereof unsettled as of December 31, 2017.
- (f) There is a 3% of principal fee for the short-term Ebony Media principal loan. On September 29, 2017, the note was increased by \$425 upon which interest accrues at 15% per annum.
- (g) Asset is on non-accrual status.
- (h) The maturity date for the Ebony Media’s \$3,878 and \$1,842 principal loans are 5/5/2020 and 11/11/2018, respectively.
- (i) The Company owns 2.82% of Bedrock Holdings Group LLC, which is the holding company of Action Resources.

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
SCHEDULE OF INVESTMENTS
(in thousands, except share information)
AS OF DECEMBER 31, 2016

| <u>Portfolio Company (a)</u> | <u>Industry</u> | <u>Spread Above Index (b)</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Principal</u> | <u>Amortized Cost</u> | <u>Fair Value (c)</u> | <u>% of Net Assets</u> |
|--|-------------------------------|-------------------------------|----------------------|-----------------|------------------|-----------------------|-----------------------|------------------------|
| Senior Secured Loans - First Lien | | | | | | | | |
| InfoGroup, Inc. | Market Analytics | L + 6.00% | 7.5% | 5/26/2018 | 3,467 | \$ 3,443 | \$ 3,432 | 9.6% |
| North Atlantic Trading Company, Inc. | Tobacco | L + 6.50% | 7.8% | 1/13/2020 | 877 | 878 | 872 | 2.4% |
| Ebony Media Holdings, LLC (d) | Media | N/A | 12%, 2% PIK | (f) | 5,605 | 5,505 | 5,361 | 15.0% |
| Medi-fare Drug & Pharmaceutical Compounding, LLC (d) | Healthcare | N/A | 10%, 4% PIK | 5/25/2018 | 3,689 | 3,648 | 3,652 | 10.3% |
| Total Senior Secured Loans - First Lien | | | | | | <u>13,474</u> | <u>13,317</u> | <u>37.3%</u> |
| Senior Secured Loans - Second Lien | | | | | | | | |
| North Atlantic Trading Company, Inc. | Tobacco | L + 10.25% | 12% | 7/31/2020 | 1,500 | 1,530 | 1,500 | 4.2% |
| Action Resources (d) | Transportation | L + 15.00% | 16.00% PIK | 4/30/2020 | 5,592 | 5,592 | 3,859 | 10.8% |
| Transportation Demand Management, LLC (d) | Transportation | N/A | 12%, 2% PIK | 10/1/2021 | 5,011 | 5,011 | 5,011 | 14.1% |
| J.D. Power & Associates | Marketing Information Service | L + 8.50% | 10% | 9/7/2024 | 1,000 | 986 | 1,005 | 2.8% |
| American Bath Group, LLC | Manufacturing | L + 9.75% | 11% | 9/30/2024 | 2,000 | 1,922 | 1,930 | 5.4% |
| Rocket Software, Inc. | Software | L + 9.50% | 11% | 10/14/2024 | 1,000 | 980 | 1,017 | 2.8% |
| Anchor Glass Container Corporation | Manufacturing | L + 7.75% | 9% | 12/7/2024 | 500 | 495 | 511 | 1.4% |
| Total Senior Secured Loans - Second Lien | | | | | | <u>\$ 16,516</u> | <u>\$ 14,833</u> | <u>41.5%</u> |

PARKVIEW CAPITAL CREDIT, INC.
SCHEDULE OF INVESTMENTS
(in thousands, except share information)
AS OF DECEMBER 31, 2016 (Continued)

| Portfolio Company (a) | Industry | Dividend Rate | Number of Shares | Amortized Cost | Fair Value (c) | % of Net Assets | |
|--|--------------------------|----------------------|-------------------------|-----------------------|-----------------------|------------------------|------------------------|
| Equity Investments | | | | | | | |
| Langham Creek LLC; Preferred Units (d) | Real Estate | 14% | 1,868,600 | \$ 1,869 | \$ 1,756 | 4.9% | |
| Langham Creek LLC; Common Units (d) | Real Estate | N/A | 1,000 | 1 | 1 | .0% | |
| Ebony Media Holdings, LLC; Warrants (d) | Media | N/A | 50,000 | 119 | | .0% | |
| Medi-fare Drug & Pharmaceutical Compounding, LLC; Warrants (d) | Healthcare | N/A | 5 | 58 | 48 | .1% | |
| Transportation Demand Management; Warrants (d) | Transportation | N/A | 34,000 | | | .0% | |
| Total Equity Investments | | | | <u>\$ 2,047</u> | <u>\$ 1,805</u> | <u>5.0%</u> | |
| Portfolio Company (a) | Yield to Maturity | Maturity Date | Number of Shares | Principal | Amortized Cost | Fair Value (c) | % of Net Assets |
| U.S Government Securities | | | | | | | |
| U.S. Treasury Bill (e) | 0.00324 | 1/12/2017 | 12,000,000 | 11,999 | \$ 11,999 | \$ 11,999 | 33.5% |
| Total U.S Government Securities | | | | | <u>11,999</u> | <u>11,999</u> | <u>33.5%</u> |
| Total Investments | | | | | <u>\$ 44,036</u> | <u>\$ 41,954</u> | <u>117.3%</u> |
| Liabilities in excess of other assets | | | | | | <u>(6,189)</u> | <u>-17.3%</u> |
| Net assets | | | | | | <u>\$ 35,765</u> | <u>100.0%</u> |

(a) With the exception of the Company's investment in Langham Creek LLC, all of the Company's investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940 (the "1940 Act"). Under the 1940 Act, the Company would be deemed to "control" a portfolio company if the Company owned more than 25% of its outstanding voting securities and/or held the power to exercise control over the management or policies of the portfolio company. The Company would be deemed an "affiliated person" of a portfolio company if the Company owned 5% or more of the portfolio company's outstanding voting securities. As of December 31, 2016, the Company does not "control" any of its portfolio companies. The Company is an "affiliated person" of Langham Creek LLC by virtue of its ownership of voting securities of Langham Creek LLC.

(b) The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime ("P") which generally reset monthly, quarterly, or semiannually. For each, the Company has provided the spread over LIBOR and the current contractual interest rate in effect at December 31, 2016. Certain investments are subject to a LIBOR interest rate floor.

(c) The fair value of the Company's investments was determined in good faith by or under the guidance of the Company's board of directors pursuant to the Company's valuation policies.

(d) Direct origination.

(e) Position or portion thereof unsettled as of December 31, 2016.

(f) The maturity date for the Ebony Media's \$3,800 and \$1,805 principal loans are 5/5/2020 and 11/11/2018, respectively.

See Notes to Financial Statements

PARKVIEW CAPITAL CREDIT, INC.
NOTES TO FINANCIAL STATEMENTS
(in thousands, except share information)

NOTE A – ORGANIZATION AND BASIS OF PRESENTATION

Parkview Capital Credit, Inc. (the “Company”), was legally formed on November 25, 2014 (“Inception”) as a Maryland corporation and commenced its principal operations on April 24, 2015, commensurate with the raising of \$20,000 through the sale of 2,000,000 shares of its common stock. The Company is an externally managed, non-diversified, closed-end management investment company that elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”) on February 12, 2016, and elected to be treated for federal income tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), beginning with the tax year ended June 30, 2017.

The Company is an investment company that follows the specialized accounting and reporting guidance of Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services Investment Companies.”

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and Cash Equivalents: The Company considers all highly liquid financial instruments with a maturity of three months or less at the date of purchase to be cash equivalents. All cash balances are maintained with high credit quality financial institutions, which are members of the Federal Deposit Insurance Corporation.

Organizational Expenses: Fees associated with the organization of the Company have been expensed as incurred. These fees consist primarily of legal fees.

Income Taxes: The Company has elected to be regulated as a BDC under the 1940 Act. The Company has also elected to be treated as a RIC under Subchapter M of the Code, beginning with the tax year ended June 30, 2017. As a RIC, the Company generally will not be required to pay corporate level federal income taxes on any ordinary income or capital gains that it distributes to its stockholders as dividends. To qualify as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements. In addition, to qualify for RIC tax treatment, the Company must distribute to its stockholders, for each taxable year, at least 90% of its “investment company taxable income” for that year, which is generally its ordinary income plus the excess of its realized net short-term capital gains over its realized net long-term capital losses. As a result, any tax liability related to income earned and distributed by the Company represents obligations of the Company’s common stockholders and will not be reflected in the financial statements of the Company for the years in which it qualifies as a RIC.

Prior to 2016, the Company did not qualify as a RIC and was taxed as a C corporation (“C-Corp”) for both 2014 and 2015. Because the Company did not elect to be regulated as a BDC until February 12, 2016, the Company did not qualify as a RIC for the calendar year 2016. In order to be able to make its RIC election, the Company changed its tax year to June 30. The Company filed as a C-Corporation for the six-month period ended June 30, 2016 and has elected RIC status beginning with the tax year ended June 30, 2017.

Although the Company may not be subject to federal income taxes as a RIC, it may choose to retain a portion of its calendar year income. If so, the Company may be subject to a 4% excise tax on the amount retained. No excise taxes were accrued for the years ended December 31, 2017, 2016, and 2015.

The Company has recorded a current federal tax provision of \$31 for the year ended December 31, 2016 related to the taxable income earned for the six-month period ended June 30, 2016. The recording of the provision for income taxes reduced the Company’s net asset value (“NAV”) per share by \$0.01. The Company did not record a tax provision for the years ended December 31, 2017 or 2015.

In order to qualify as a RIC, the Company must distribute before the end of its first qualifying tax year all earnings and profits accumulated in prior non-RIC tax years. There were no earnings and profits prior to 2016. The Company had approximately \$121 of accumulated earnings and profits through the period ended June 30, 2016. Built-in gains by a C-Corp electing to be a RIC may be subject to tax if realized during the first five years of RIC status. As of December 31, 2017, there were no built-in gains.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are reversed and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in 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, on-going analyses of tax laws, regulations and interpretations thereof. All tax years are open for examination.

Revenue Recognition: Interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. Discounts or premiums are accreted or amortized, respectively, using the effective interest method as interest income. Dividend income is recognized on an accrual basis to the extent that the Company expects to collect such amount. Loan origination fees, original issue discount and market discount are capitalized and amortized as interest income over the respective term of the loan. The Company records prepayment premiums on loans and securities as fee income when it receives such amounts. The Company will put an investment on non-accrual when it has been determined that the interest payments will not be received.

The Company has loans and preferred securities in its portfolio that contain payment-in-kind (“PIK”) provisions. PIK represents interest or dividends that are accrued and recorded as interest or dividend income at the contractual rates, increases the loan or preferred equity principal on the respective capitalization dates, and is generally due at maturity. For the years ended December 31, 2017, 2016 and 2015, the Company recognized PIK income of \$581, \$821 and \$2, respectively.

Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. The Company reports changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the statements of operations.

Earnings per Share: Basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. For the year ended December 31, 2015, the Company calculated basic and diluted per share information using shares outstanding from commencement of operations on April 24, 2015 through December 31, 2015.

Investments: Investment transactions are accounted for on a trade-date basis. The Company considers trade date for investments not traded on a recognizable exchange, or traded in the over-the-counter markets, to be the date on which the Company receives legal or contractual title to the asset and bears the risk of loss.

Investments in certain senior loans generate a fixed spread over floating base rates such as LIBOR or the U.S. Prime Rate. These floating base rates generally reset monthly, quarterly or semi-annually.

Valuation of Portfolio Securities: The Company determines the net asset value per share of its common stock quarterly. The net asset value per share equals the value of the Company's total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. The Company's investments are valued at the end of each fiscal quarter.

Substantially all of the Company's investments are expected to be in loans that do not have readily ascertainable market prices. Investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. In order to assist the Company's board of directors (the "Board") in determining the fair value of assets that are not publicly traded or whose market prices are not readily available, Parkview Advisors, LLC (the "Advisor") provides the Board with portfolio company valuations, which are based on relevant inputs, which may include but are not limited to, indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by third party valuation services. The Board has retained independent valuation firms to assist it by performing limited third-party valuation services on certain directly originated investments. In connection with each valuation determination, investment professionals from the Advisor prepare portfolio company valuations using sources and/or proprietary models depending on the availability of information on the Company's assets and the type of asset being valued, all in accordance with the Company's valuation policy. The participation of the Advisor in the valuation process could result in a conflict of interest, since the base management fee is based on the Company's gross assets.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, the Company may incorporate these factors into discounted cash flow models to arrive at fair value. Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of collateral securing its debt investments.

The Company's equity interests in portfolio companies for which there is no liquid public market are valued at fair value. The Board, in its determination of fair value, may consider various factors, such as multiples of EBITDA, cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or the actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

The Advisor's management team, any approved independent third-party valuation firm and the Board may also consider private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the portfolio companies or industry practices in determining fair value. The Advisor's management team, any approved independent third-party valuation firm and the Board may also consider the size and scope of a portfolio company and its specific strengths and weaknesses, and may apply discounts or premiums, where and as appropriate, due to the higher (or lower) financial risk and/or the smaller size of portfolio companies relative to comparable firms, as well as such other factors as the Board, in consultation with the Advisor's management team and any approved independent third-party valuation firm may consider relevant in assessing fair value. Generally, the value of the equity interests in public companies for which market quotations are readily available will be based upon the most recent closing public market price. Portfolio securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

When the Company receives warrants or other equity securities at nominal or no additional cost in connection with an investment in a debt security, the cost basis in the investment will be allocated between the debt securities and any such warrants or other equity securities received at the time of origination. The Board subsequently values these warrants or other equity securities received at their fair value.

The Company periodically benchmarks the bid and ask prices received from the third-party pricing services and/or dealers, as applicable, against the actual prices at which it purchases and sells investments. Based on the results of the benchmark analysis and the experience of management in purchasing and selling these investments, the Company believes that these prices are reliable indicators of fair value. However, because of the private nature of this marketplace (meaning actual transactions are not publicly reported), the Company believes that these valuation inputs are classified as Level 3 within the fair value hierarchy. The Company also uses independent valuation firms to assist the Board in determining fair value for securities for which it cannot obtain prevailing bid and ask prices through third-party pricing services or independent dealers, or where the Board otherwise determines that the use of such other methods is appropriate. The Company periodically benchmarks the valuations provided by the independent valuation firm against the actual prices at which the Company purchases and sells investments. The audit committee and Board review and approve the valuation determinations made with respect to these investments in a manner consistent with the Company's valuation policy.

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 the investment portfolio may differ from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Fair Value of Financial Instruments: The carrying amounts of certain of our financial instruments, including cash, receivables, accounts payable and accrued expenses, approximate fair value due to their short-term nature.

Recent Accounting Pronouncements: In January 2016, FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities," which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 will be effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is not permitted. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In August 2016, FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

Distributions: Distributions to the Company's stockholders are recorded as of the record date. The Company intends to distribute net realized capital gains, if any, at least annually.

The determination of the tax attributes of the distributions is made at the end of the tax year based upon the taxable income for the full tax year and the distributions paid during the full tax year. The Company may fund its cash distributions to stockholders from any sources of funds legally available to it, including proceeds from the sale of shares of the Company's common stock, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, and dividends or other distributions paid to the Company on account of preferred and common equity investments in portfolio companies. The Company has not established limits on the amount of funds it may use from available sources to make distributions. During certain periods, the Company's distributions may exceed its earnings. As a result, it is possible that a portion of the distributions the Company makes may represent a return of capital. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from the Company's investment activities. Each year a statement on Form 1099-DIV identifying the sources of the distributions (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of capital, which is a nontaxable distribution) will be mailed to the Company's stockholders. There can be no assurance that the Company will be able to pay distributions at a specific rate or at all.

Reclassifications: Prior period financial statement amounts have been reclassified to conform to the current period presentation.

NOTE C – COMMON STOCK

On March 11, 2015, the Company filed Amended and Restated Articles of Incorporation with the State Department of Assessments and Taxation for the State of Maryland (the "Amended Charter"). The Amended Charter, among other things, increased the number of authorized shares of the Company's common stock from 100,000 to 50,000,000.

On March 31, 2015, the Company accepted a subscription agreement from GrayCo Alternative Partners II, LP for a capital contribution of \$25,000. In connection with the receipt of \$20,000 of the \$25,000 subscription on April 24, 2015, the Company issued a total of 2,000,000 shares of common stock at a price per share of \$10.00. In connection with the receipt of \$3,500 from GrayCo Alternative Partners II, LP on August 11, 2015, the Company issued a total of 350,000 additional shares of common stock at a purchase price per share of \$10.00. In connection with the receipt of \$1,500 from GrayCo Alternative Partners II, LP on October 5, 2015, the Company issued a total of 150,000 additional shares of common stock at a purchase price per share of \$10.00, which represented the final commitment related to the \$25,000 subscription. GrayCo Alternative Partners II, LP was a private fund managed by Gray & Company, a registered investment adviser founded by the Company's former Chairman, Laurence O. Gray. On February 2, 2017, Gray & Company was acquired by Consequent Capital Management, LLC ("Consequent"). In connection with the transaction, the general partner of GrayCo Alternative Partners II, LP is now 100% owned by Consequent Capital Investments, LLC, an entity managed by Consequent. As a result, GrayCo Alternative Partners II, LP is no longer managed by Mr. Gray or Gray & Company.

On December 2, 2015, the Company accepted a subscription agreement from District 1199J New Jersey Healthcare Employers Pension Fund for a capital contribution of \$13,000 where the Company issued a total of 1,300,000 shares of common stock. The Company received \$7,000 and \$6,000, respectively, on December 29, and December 31, 2015 for which the Company issued 700,000 and 600,000 shares, respectively, of common stock at a purchase price per share of \$10.00.

On June 28, 2017 the Company accepted a subscription for \$2,000 at a price per share of \$2 in exchange for 100% of the equity ownership of Lone Star Brewery Development, Inc. On June 28, 2017, the Company issued 200,000 shares of common stock to the prior equity owner of Lone Star Brewery Development, Inc.

NOTE D – RELATED PARTY TRANSACTIONS

Advisory Agreement

Pursuant to the Advisory Agreement, with the Advisor (The “Advisory Agreement”), the Advisor provides credit analysis, structuring capability and transactional experience. The fees associated with the investment advisory agreement consist of a base management fee and incentive fees. The Advisor is owned by SKW Financial, LLC, an entity controlled by the Company’s Chief Executive Officer.

The management fee is calculated at an annual rate of 2.00% of the end-of-period gross assets payable monthly in arrears if the Company’s gross assets are less than \$250,000; 1.75% of the end-of period gross assets if the Company’s gross assets are equal to or greater than \$250,000 but less than \$750,000; and, 1.50% of the end-of period gross assets if the Company’s gross assets are equal to or greater than \$750,000. For purposes of calculating the management fee, the term “gross assets” includes any assets acquired with the proceeds of leverage. As a result, the Advisor will benefit when the Company incurs debt or uses leverage. For each of the first two months of operations, the management fee was calculated based on the value of the Company’s gross assets at the end of such month, and appropriately adjusted for any share issuances during these months. Following the Company’s first two months of operations, the Investment Advisory Agreement provides that the management fee is calculated based on the average value of gross assets at the end of the two most recently completed months. The Company has clarified its management fee calculation so that the management fee is calculated by averaging the value of the Company’s gross assets at the end of the two most recently completed quarters, and appropriately adjusting for any share issuances occurring during any month of the current quarter. Management fees for any partial month are appropriately prorated. In order to meet the diversification tests required to qualify as a RIC, the Company acquired the following in face value of short-term U.S. Treasury Bills:

| Date acquired | Amount of U.S Treasury Bills acquired |
|----------------------|--|
| December 28, 2017 | \$ 19,500 |
| September 27, 2017 | 15,000 |
| June 29, 2017 | 13,000 |
| March 29, 2017 | 12,500 |
| December 29, 2016 | 12,000 |
| June 28, 2016 | 10,000 |
| March 31, 2016 | 12,500 |

These transactions had the effect of increasing management fees payable to the Advisor, all of which were waived by the Advisor. For the years ended December 31, 2017, 2016 and 2015, the Company incurred management fees of \$1,039, \$922, and \$307 respectively, gross of the fee waivers of \$281, \$142 and \$0, respectively.

The incentive fee is divided into two parts: (i) an incentive fee on income and (ii) an incentive fee on capital gains.

The incentive fee on income, is calculated and payable quarterly in arrears based upon the Company's "pre-incentive fee net investment income" for the immediately preceding quarter. The incentive fee on income will be subject to a hurdle rate, measured quarterly and expressed as a rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, of 1.75% (7.0% annualized), subject to a "catch up" feature. For the years ended December 31, 2017, 2016 and 2015, the Company did not accrue any incentive fees on income.

The incentive fee on capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement). This fee will equal 20% of realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. For the years ended December 31, 2017, 2016 and 2015, the Company did not accrue any incentive fees on capital gains.

During the years ended December 31, 2017 and 2016, the Company reimbursed the Advisor \$144 and \$112, respectively, for administrative services performed on its behalf and reimbursements for company-related travel which are reflected in general and administrative expenses on the statements of operations. The Company accrued \$2 and \$0 as of December 31, 2017 and 2016, respectively, for amounts owed by the Company of services paid by the Advisor on the Company's behalf and reimbursements for company-related travel.

License Agreement

On March 11, 2015, the Company entered into a license agreement (the "License Agreement") with the Advisor, pursuant to which the Company was granted a nonexclusive license to use the name "Parkview." Under the License Agreement, the Company has a right to use the "Parkview" name and logo, as long as the Advisor or one of its affiliates remains the Company's investment adviser. Other than with respect to this limited license, the Company has no legal right to the "Parkview" name or logo.

NOTE E – INVESTMENT PORTFOLIO

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of December 31, 2017 and 2016:

| | December 31, 2017 | | December 31, 2016 | |
|---|-------------------|-------------------------|-------------------|-------------------------|
| | Fair Value | Percentage of Portfolio | Fair Value | Percentage of Portfolio |
| Charter Bus Industry | \$ 4,975 | 9% | \$ 5,011 | 12% |
| Healthcare | 3,775 | 7% | 3,700 | 9% |
| Manufacturing | 2,515 | 5% | 2,441 | 6% |
| Market Analytics | — | —% | 3,432 | 8% |
| Marketing Information Service | — | —% | 1,005 | 2% |
| Media | 8,806 | 16% | 5,361 | 13% |
| Real Estate | 8,264 | 15% | 1,757 | 4% |
| Software | — | —% | 1,017 | 2% |
| Specialized Freight Trucking | 4,023 | 6% | 3,859 | 9% |
| Tobacco | 1,020 | 2% | 2,372 | 6% |
| Translation and Interpretation Services | 1,970 | 4% | - | - |
| U.S. Government Securities | 19,499 | 36% | 11,999 | 29% |
| | <u>\$ 54,847</u> | <u>100%</u> | <u>\$ 41,954</u> | <u>100%</u> |

The following table summarizes the amortized cost and fair value of the investment portfolio as of December 31, 2017 and 2016:

| | Amortized Cost(a) | Percentage of Portfolio | Fair Value | Percentage of Portfolio |
|------------------------------------|-------------------|-------------------------|------------------|-------------------------|
| December 31, 2017 | | | | |
| Senior Secured Loans - First Lien | \$ 12,827 | 23% | \$ 12,532 | 23% |
| Senior Secured Loans - Second Lien | 16,276 | 28% | 14,503 | 26% |
| Equity Investments | 8,342 | 15% | 8,313 | 15% |
| U.S. Government Securities | 19,499 | 34% | 19,499 | 36% |
| Total | <u>\$ 56,944</u> | <u>100%</u> | <u>\$ 54,847</u> | <u>100%</u> |
| December 31, 2016 | | | | |
| Senior Secured Loans - First Lien | \$ 13,474 | 31% | \$ 13,317 | 32% |
| Senior Secured Loans - Second Lien | 16,516 | 37% | 14,833 | 35% |
| Equity Investments | 2,047 | 5% | 1,805 | 4% |
| U.S. Government Securities | 11,999 | 27% | 11,999 | 29% |
| Total | <u>\$ 44,036</u> | <u>100%</u> | <u>\$ 41,954</u> | <u>100%</u> |

(a) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. Accounting guidance emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.

Level 3 — Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date.

The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the market or income approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and EBITDA multiples. The information may also include 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 disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

Pricing inputs and weightings applied to determine value require subjective determination. Accordingly, valuations do not necessarily represent the amounts that may eventually be realized from sales or other dispositions of investments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the fair value measurements of the investment portfolio, by major class according to the fair value hierarchy, as of December 31, 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|------------------|-------------|------------------|------------------|
| Senior Secured Loans - First Lien | \$ — | \$ — | \$ 12,532 | \$ 12,532 |
| Senior Secured Loans - Second Lien | — | — | 14,503 | 14,503 |
| Equity Investments | — | — | 8,313 | 8,313 |
| U.S. Government Securities | 19,499 | — | — | 19,499 |
| | <u>\$ 19,499</u> | <u>\$ —</u> | <u>\$ 35,348</u> | <u>\$ 54,847</u> |

The following table presents the fair value measurements of the investment portfolio, by major class according to the fair value hierarchy, as of December 31, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|------------------|-------------|------------------|------------------|
| Senior Secured Loans - First Lien | \$ — | \$ — | \$ 13,317 | \$ 13,317 |
| Senior Secured Loans - Second Lien | — | — | 14,833 | 14,833 |
| Equity Investments | — | — | 1,805 | 1,805 |
| U.S. Government Securities | 11,999 | — | — | 11,999 |
| | <u>\$ 11,999</u> | <u>\$ —</u> | <u>\$ 29,955</u> | <u>\$ 41,954</u> |

The following table provides a reconciliation of the beginning and ending balances for total investments for the years ended December 31, 2017 and 2016 for which significant unobservable inputs (Level 3) were used in determining fair value:

| | For the Year Ended December 31, 2017 | | | |
|--|--------------------------------------|-----------------------------------|--------------------|------------------|
| | Senior Secured Loans First - Lien | Senior Secured Loans Second -Lien | Equity Investments | Total |
| Fair value beginning of period | \$ 13,317 | \$ 14,833 | \$ 1,805 | \$ 29,955 |
| Purchases | 4,416 | 2,950 | 6,294 | 13,660 |
| Net realized gain (loss) | 27 | (13) | — | 14 |
| Amortization of discount | 64 | 20 | — | 84 |
| Paid in kind interest | 266 | 315 | — | 581 |
| Sales | (5,340) | (3,485) | — | (8,825) |
| Paydowns | (82) | (25) | — | (107) |
| Net change in unrealized appreciation (depreciation) | (136) | (92) | 214 | (14) |
| Fair value end of period | <u>\$ 12,532</u> | <u>\$ 14,503</u> | <u>\$ 8,313</u> | <u>\$ 35,348</u> |

| | | | | |
|--|-----------------|----------------|---------------|---------------|
| The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date | <u>\$ (155)</u> | <u>\$ (63)</u> | <u>\$ 213</u> | <u>\$ (5)</u> |
|--|-----------------|----------------|---------------|---------------|

| | For the Year Ended December 31, 2016 | | | |
|---------------------------------------|--------------------------------------|----------------------------------|--------------------|------------------|
| | Senior Secured Loans First Lien | Senior Secured Loans Second Lien | Equity Investments | Total |
| Fair value beginning of period | \$ 12,217 | \$ 11,413 | \$ 1,870 | \$ 25,500 |
| Purchases | 8,973 | 10,916 | 176 | 20,065 |
| Net realized loss | (14) | (35) | 15 | (34) |
| Amortization of discount (premium) | 53 | (5) | — | 48 |
| Paid in kind interest | 161 | 660 | — | 821 |
| Sales | (8,008) | (6,000) | (15) | (14,023) |
| Paydowns | (67) | (519) | — | (586) |
| Net change in unrealized depreciation | 2 | (1,597) | (241) | (1,836) |
| Fair value end of period | <u>\$ 13,317</u> | <u>\$ 14,833</u> | <u>\$ 1,805</u> | <u>\$ 29,955</u> |

| | | | | |
|--|----------------|-------------------|-----------------|-------------------|
| The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date | <u>\$ (19)</u> | <u>\$ (1,626)</u> | <u>\$ (241)</u> | <u>\$ (1,886)</u> |
|--|----------------|-------------------|-----------------|-------------------|

During the years ended December 31, 2017 and 2016, the Company did not have any transfers between levels.

The following table presents the quantitative information about Level 3 fair value measurements of the investment portfolio, as of December 31, 2017 and 2016:

| December 31, 2017 | | | | | |
|------------------------------------|-------------------|-----------------------------|---------------------------|----------------|-------------------------|
| | Fair Value | Valuation Techniques | Unobservable input | Range | Weighted Average |
| Senior Secured Loans - First Lien | \$ 12,532 | Market comparables | Market yield (%) | 93.9% - 100.3% | 97.0% |
| | | | EBITDA Multiples (x) | 2.8x - 3.8x | 3.1x |
| Senior Secured Loans - Second Lien | \$ 5,505 | Market quotes | Indicative Dealer Quotes | 98.0% - 102.5% | 100.1% |
| Senior Secured Loans - Second Lien | \$ 8,998 | Market comparables | Market yield (%) | 31.0% - 102.3% | 88.1% |
| | | | EBITDA Multiples (x) | 0.70x - 15x | 8.3x |
| Equity Investments | \$ 8,313 | Market comparables | Market yield (%) | 23.6% - 144.3% | 101.3% |
| | | | Book Value Multiples (x) | 1.0x - 3.8x | 1.1x |
| December 31, 2016 | | | | | |
| | Fair Value | Valuation Techniques | Unobservable input | Range | Weighted Average |
| Senior Secured Loans - First Lien | \$ 4,304 | Market quotes | Indicative Dealer Quotes | 98.6% - 99.8% | 99.1% |
| Senior Secured Loans - First Lien | \$ 9,013 | Market comparables | Market yield (%) | 94.1% - 100.0% | 97.3% |
| | | | EBITDA Multiples (x) | 3.0x - 5.0x | 3.8x |
| Senior Secured Loans - Second Lien | \$ 5,963 | Market quotes | Indicative Dealer Quotes | 96.0% - 102.8% | 99.4% |
| Senior Secured Loans - Second Lien | \$ 8,870 | Market comparables | Market yield (%) | 62.0% - 101.5% | 86.7% |
| | | | EBITDA Multiples (x) | 5.0x - 9.0x | 7.1x |
| Equity Investments | \$ 1,805 | Market comparables | Market yield (%) | 85.0% - 103.0% | 91.5% |
| | | | EBITDA Multiples (x) | 0.9x - 9.0x | 1.1x |

NOTE G –SIGNIFICANT SUBSIDIARIES

In accordance with SEC Regulation S-X Rules 3-09 and 4-08(g), the Company must determine which of its unconsolidated controlled portfolio companies, if any, are considered “significant subsidiaries.” In evaluating these investments, there are three tests utilized to determine if any of our controlled investments are considered significant subsidiaries: the asset test, the income test and the investment test. Rule 3-09 of Regulation S-X requires separate audited financial statements of an unconsolidated subsidiary in an annual report if any of the three tests exceed 20%. Rule 4-08(g) of Regulation S-X requires summarized financial information in an annual report if any of the three tests exceeds 10%. Accordingly, audited financial information for the period from June 28, 2017 (date of acquisition) through December 31, 2017 has been included as follows:

Balance Sheet

| | |
|---------------------|------------|
| Current assets | \$ 3 |
| Noncurrent assets | \$ 18,505 |
| Current liabilities | \$ 27,344 |
| Total deficit | \$ (8,836) |

Statement of Operations

| | |
|----------|------------|
| Revenue | \$ - |
| Expenses | \$ 3,013 |
| Net loss | \$ (3,013) |

After performing this analysis, the Company determined that for the year ended December 31, 2017, one of its portfolio companies, Lone Star Brewery Development, Inc., is a significant subsidiary. None of the Company’s portfolio companies are significant subsidiaries for the year ended December 31, 2016. Pursuant to Rule 3-09 of Regulation S-X, the Company is to attach separate financial statements as exhibits to its Annual Report on Form 10-K. Accordingly, the audited financial statements of Lone Star Brewery Development Company, Inc. for the period from June 29, 2017 through December 31, 2017 has been attached as an exhibit to this Annual Report on Form 10-K.

NOTE H – FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights of the Company for the years ended December 31, 2017, 2016 and 2015:

| | December 31, | | |
|---|----------------|----------------|----------------|
| | 2017 | 2016 | 2015 |
| Per share data | | | |
| Net asset value, beginning of period | \$ 9.41 | \$ 9.85 | \$ (0.02) |
| Results of operations (a) | | | |
| Net investment income (loss) | 0.38 | 0.34 | (0.07) |
| Net realized loss on investments | 0.01 | (0.01) | - |
| Net change in unrealized depreciation on investments | (0.01) | (0.49) | (0.06) |
| Net decrease in net assets resulting from operations | 0.38 | (0.16) | (0.13) |
| Stockholder distributions | | | |
| Distributions from net investment income | (0.17) | (0.28) | - |
| Capital share transactions | | | |
| Issuance of common stock (b) | 0.03 | - | 10.00 |
| Total (decrease) increase in net assets | 0.24 | (0.44) | 9.87 |
| Net asset value, end of period | <u>\$ 9.65</u> | <u>\$ 9.41</u> | <u>\$ 9.85</u> |
| Shares outstanding at end of period | 4,000,010 | 3,800,010 | 3,800,010 |
| Total return (c) | 4.01% | -1.56% | -1.37% |
| Ratio/Supplemental data | | | |
| Net assets, end of period | 38,593 | 35,765 | 37,414 |
| Ratio of operating expenses to average net assets (d) (f) | 6.41% | 6.27% | 5.99% |
| Ratio of net investment income (loss) to average net assets (f) | 3.99% | 3.55% | -1.37% |
| Portfolio turnover (e) | -27.02% | 51.91% | 1.75% |

(a) Per share data was derived by using the weighted average shares outstanding during the applicable period.

(b) The issuance of common stock on a per share basis reflects the incremental net asset value change as a result of the issuance of shares of common stock. The issuance of common stock at a price that is greater than the net asset value per share results in an increase in net asset value per share.

(c) The total return for the years ended December 31, 2017 and 2016 was calculated by taking the increase in net assets resulting from operations of the Company for the period divided by the average net assets during the period. The total return for the year ended December 31, 2015 was calculated by taking the net loss of the Company for the period divided by the value of common stock issued during the period.

(d) The effect of the management fee waiver discussed in Note D is 0.76% and 0.39% for the years ended December 31, 2017 and 2016. There were no management fee waivers for the year ended December 31, 2015.

(e) Portfolio turnover rate for the year ended December 31, 2015 was calculated from the commencement of principal operations on April 24, 2015.

(f) In computing ratios for the year ended December 31, 2015, the Company utilized its net assets as of April 24, 2015, the date on which it commenced principal operations, for its beginning of period assets.

Financial highlights are not shown for the period from November 25, 2014 (date of inception) to December 31, 2014 due to the fact that the Company did not commence operations until April 24, 2015.

NOTE I – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is not currently involved in any legal proceedings.

NOTE J – INCOME TAXES

As of December 31, 2017, 2016, and 2015 the Company had \$1,112, \$1,027, and (\$204) of net investment income (loss) on a tax basis. Prior to 2017, the Company did not qualify as a RIC and were taxed as a C-Corp for both 2014 and 2015. Because the Company did not elect to be regulated as a BDC until February 12, 2016, the Company did not qualify as a RIC for the calendar year 2016. In order for the Company to be able to make its RIC election, the Company changed its tax year to June 30 and filed as a C-Corp for the six-month period ended June 30, 2016. The Company elected RIC status for the tax year ended June 30, 2017 with the filing of its tax returns.

The difference between the Company's GAAP-basis net investment income (loss) and its tax-basis income (loss) is as follows:

| | December 31, | | |
|---|---------------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 |
| GAAP-basis net investment income (loss) | \$ 1,482 | \$ 1,298 | \$ (255) |
| Tax-basis deferral and amortization of organizational costs | (8) | (8) | 51 |
| Federal tax expense | — | 31 | — |
| Loan origination fees | 141 | — | — |
| Paydown reclassifications | — | (26) | — |
| Non-deductible meals and entertainment expenses | 3 | — | — |
| Book/tax timing differences for income earned from partnerships | (506) | (268) | — |
| Tax-basis net investment income (loss) | <u>\$ 1,112</u> | <u>\$ 1,027</u> | <u>\$ (204)</u> |

As of December 31, 2017 and 2016, the components of accumulated earnings on a tax basis were as follows:

| | December 31, | |
|---|---------------------|-------------------|
| | 2017 | 2016 |
| Distributable ordinary income (income and short-term capital gains) | \$ 728 | \$ (96) |
| Temporary differences | (282) | (49) |
| Accumulated capital and other losses | (4) | (25) |
| Net unrealized depreciation on investments | (1,842) | (1,969) |
| Total | <u>\$ (1,400)</u> | <u>\$ (2,139)</u> |

As of December 31, 2017 and 2016, the Company's aggregate investment unrealized depreciation based on cost was as follows:

| | December 31, | |
|---|---------------------|-------------|
| | 2017 | 2016 |
| Tax cost | \$ 56,689 | \$ 43,923 |
| Gross unrealized depreciation | (2,362) | (2,053) |
| Gross unrealized appreciation | 520 | 84 |
| Net unrealized investment depreciation on investments | (1,842) | (1,969) |

The Company had a net operating loss ("NOL") carryforward of \$204 as of December 31, 2015. The Company utilized this NOL carryforward to reduce its accumulated earnings and profits for the tax year ended June 30, 2016.

In order to qualify as a RIC, the Company must distribute before the end of its first qualifying tax year all earnings and profits accumulated in prior non-RIC tax years. There were no earnings and profits prior to 2016. The Company has approximately \$121 of accumulated earnings and profits through the period ended June 30, 2016. Built-in gains by a C-Corp electing to be a RIC may be subject to tax if realized during the first five years of RIC status.

During the year ended December 31, 2017, the Company declared a cash distribution of \$661, or \$0.17 per share on its common stock. The distribution was paid on December 21, 2017 for the stockholders of record as of the close of business on December 20, 2017.

During the year ended December 31, 2016, the Company declared a cash distribution of \$1,077, or \$0.28 per share, on its common stock. The distribution was paid on December 21, 2016 for the stockholders of record as of the close of business on December 20, 2016.

NOTE K – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is the quarterly results of operations for the years ended December 31, 2017 and 2016. The following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

| | Quarter Ended | | | |
|--|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| Investment income | \$ 988 | \$ 949 | \$ 845 | \$ 1,084 |
| Operating expenses | | | | |
| Net expenses | 594 | 622 | 542 | 626 |
| Net investment income | 394 | 327 | 303 | 458 |
| Realized and unrealized gain (loss) | (414) | 316 | 376 | (271) |
| Net increase (decrease) in net assets resulting from operations | <u>\$ (20)</u> | <u>\$ 643</u> | <u>\$ 679</u> | <u>\$ 187</u> |
| Per share information - basic and diluted | | | | |
| Net investment gain | <u>\$ 0.10</u> | <u>\$ 0.08</u> | <u>\$ 0.08</u> | <u>\$ 0.12</u> |
| Net increase (decrease) in net assets resulting from operations | <u>\$ 0.00</u> | <u>\$ 0.16</u> | <u>\$ 0.18</u> | <u>\$ 0.05</u> |
| Weighted average shares outstanding | <u>4,000,010</u> | <u>4,000,010</u> | <u>3,804,454</u> | <u>3,800,010</u> |

| | Quarter Ended | | | |
|--|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
| Investment income | \$ 937 | \$ 1,010 | \$ 924 | \$ 721 |
| Operating expenses | | | | |
| Net expenses | 492 | 563 | 679 | 560 |
| Net investment income | 445 | 447 | 245 | 161 |
| Realized and unrealized (loss) gain | (1,976) | 225 | 168 | (287) |
| Net increase (decrease) in net assets resulting from operations | <u>\$ 1,531</u> | <u>\$ 672</u> | <u>\$ 413</u> | <u>\$ (126)</u> |
| Per share information - basic and diluted | | | | |
| Net investment income | \$ 0.12 | \$ 0.12 | \$ 0.06 | \$ 0.04 |
| Net increase (decrease) in net assets resulting from operations | <u>\$ (0.40)</u> | <u>\$ 0.18</u> | <u>\$ 0.11</u> | <u>\$ (0.03)</u> |
| Weighted average shares outstanding | <u>3,800,010</u> | <u>3,800,010</u> | <u>3,800,010</u> | <u>3,800,010</u> |

(a) Per share information was not calculated for the three months ended March 31, 2015 as Parkview Capital Credit, Inc had not yet commenced principal operations.

The sum of quarterly per share amounts does not necessarily equal per share amounts reported for the years ended December 31, 2017 and 2016. This is due to changes in the number of weighted-average shares outstanding and the effects of rounding for each period.

NOTE L – SUBSEQUENT EVENTS

Management performed an evaluation of the Company’s activity through the date the financial statements were issued and has determined that there have been no events that have occurred that would require adjustments to the Company’s disclosures in the financial statements.

On February 16, 2018, Lone Star entered into a loan agreement (the “Loan Agreement”) with BI 28 LLC (the “Lender”), a subsidiary of BridgeInvest. In connection with the Loan Agreement, the Lender required that the Company guarantee the performance of Lone Star under the terms of the Loan Agreement. On February 8, 2018, the Board of Directors of the Company authorized the Company to enter into a Guaranty, whereby the Company agreed to guarantee to the Lender the performance of Lone Star under the Loan Agreement. The Loan has an 18-month term, which term can be extended by an additional six months. Assuming the Loan has a duration of two years, the Company’s aggregate obligation as a result of its 100% ownership of Lone Star would be \$14,300, which includes interest payments and repayment of principal.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017, the end of the period covered by this Annual Report on Form 10-K.

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on our evaluation, we believe that our disclosure controls and procedures as of the date of our Annual Report on Form 10-K have been designed and are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act.

In connection with the preparation of this annual report, our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making that assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 framework).

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is incorporated by reference to the information contained in our definitive proxy or information statement, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to the information contained in our definitive proxy or information statement, to be filed with the SEC within 120 days following the end of our fiscal year.

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

The information required by this Item 12 is incorporated by reference to the information contained in our definitive proxy or information statement, to be filed with the SEC within 120 days following the end of our fiscal year.

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

The information required by this Item 13 is incorporated by reference to the information contained in our definitive proxy or information statement, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated by reference to the information contained in our definitive proxy or information statement, to be filed with the SEC within 120 days following the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) DOCUMENTS FILED AS PART OF THIS REPORT

The following is a list of our financial statements included in this Annual Report on Form 10-K under Item 8 of Part II hereof:

1. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

| | |
|---|------|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Statements of Financial Condition as of December 31, 2017 and 2016 | F-2 |
| Statements of Operations for the years ended December 31, 2017, 2016, and 2015 | F-3 |
| Statements of Changes in Net Assets for the years ended December 31, 2017, 2016, and 2015 | F-4 |
| Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015 | F-5 |
| Schedule of Investments as of December 31, 2017 | F-6 |
| Schedule of Investments as of December 31, 2016 | F-9 |
| Notes to Financial Statements | F-11 |

(b) EXHIBITS

- 3.1 [Second Amended and Restated Articles of Incorporation \(incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement on Form 10 filed on August 11, 2015\)](#)
- 3.2 [Bylaws \(incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 10 filed on March 31, 2015\)](#)
- 10.1 [Investment Advisory Agreement \(incorporated by reference to Exhibit 10.1 to the Registration Statement on Form 10 filed on March 31, 2015\)](#)
- 10.2 [License Agreement \(incorporated by reference to Exhibit 10.3 to the Registration Statement on Form 10 filed on March 31, 2015\)](#)
- 10.3 [Custody Agreement with Millennium Trust Company \(Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 7, 2015\)](#)
- 10.4 [First Amendment to the Investment Advisory Agreement \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on November 14, 2017\)](#)
- 10.5 [Guaranty \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 22, 2018\)](#)
- 14.1 [Code of Business Conduct and Ethics of the Registrant and Parkview Advisors, LLC \(incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K filed on March 29, 2016\)](#)
- 21.1* [Subsidiaries of the Registrant](#)
- 31.1* [Certification of Principal Executive Officer Pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Principal Financial Officer Pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\)](#)
- 99.1* [Lone Star Brewery Development Company, Inc. Financial Statements for the period from June 28, 2017 \(acquisition date\) through December 31, 2017](#)

*Filed herewith

ITEM 16. FORM 10-K SUMMARY

The Company has elected not to provide summary information.

Subsidiaries of Parkview Capital Credit, Inc.

| <u>Name of Subsidiary</u> | <u>State of Incorporation or Organization</u> |
|-------------------------------------|---|
| Lone Star Brewery Development, Inc. | Texas |

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith W. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of Parkview Capital Credit, Inc.;
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 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Keith W. Smith
Keith W. Smith
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles Jacobson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Parkview Capital Credit, Inc.;
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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Charles Jacobson

Charles Jacobson
Chief Financial Officer and Treasurer
(Principal Financial Officer)

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. § 1350)**

Each of the undersigned officers of Parkview Capital Credit, Inc. (the "Company") hereby certifies, for purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) The accompanying Annual Report on Form 10-K of the Company for the period ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2018

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: Chief Executive Officer
(Principal Executive Officer)

Date: April 2, 2018

By: /s/ Charles Jacobson
Name: Charles Jacobson
Title: Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished with the Company's Annual Report on Form 10-K pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general information language in such filing, except to the extent that the Company specifically incorporates by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

LONE STAR BREWERY DEVELOPMENT, INC.

FINANCIAL STATEMENTS

For the period from June 28, 2017 (date of acquisition) through December 31, 2017

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Independent Auditors' Report

To the Stockholder
Lone Star Brewery Development, Inc.

We have audited the accompanying financial statements of Lone Star Brewery Development, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in stockholder's deficiency, and cash flows for the period from June 28, 2017 (date of acquisition) through December 31, 2017, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 financial statements referred to above present fairly, in all material respects, the financial position of Lone Star Brewery Development, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the period June 29, 2017 (date of acquisition) through December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company has an accumulated deficit and a deficiency in working capital as of December 31, 2017, and has incurred losses from operations during the period from June 28, 2017 (date of acquisition) to December 31, 2017. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

/s/ Mazars USA LLP

New York, NY
April 2, 2018

LONE STAR BREWERY DEVELOPMENT, INC.
BALANCE SHEET
(In thousands, except share data)

| | December 31, 2017 |
|--|----------------------------------|
| ASSETS | |
| Current assets: | |
| Cash | \$ 3 |
| Total current assets | <u>3</u> |
| Property and equipment: | |
| Building | 1,874 |
| Land | 16,631 |
| Total property and equipment | <u>18,505</u> |
| Total assets | <u><u>\$ 18,508</u></u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | |
| Current liabilities: | |
| Notes payable | \$ 23,132 |
| Accounts payable | 308 |
| Accrued interest expense | 3,071 |
| Real estate taxes payable | 374 |
| Dividend payable | 209 |
| Other | 250 |
| Total current liabilities | <u>27,344</u> |
| Commitments and contingencies (See Note G) | |
| Stockholder's deficiency: | |
| Common stock, par value \$0.01 per share, 10,000 shares authorized, 1,000 shares issued and outstanding at December 31, 2017 | - |
| Series A Preferred stock, par value \$0.0001 per share, 1,427 shares issued and outstanding at December 31, 2017 | - |
| Additional paid in capital | 3,498 |
| Accumulated deficit | <u>(12,334)</u> |
| Total stockholder's deficiency | <u>(8,836)</u> |
| Total liabilities and stockholder's deficiency | <u><u>\$ 18,508</u></u> |

The accompanying notes are an integral part of this financial statement.

LONE STAR BREWERY DEVELOPMENT, INC.
STATEMENT OF OPERATIONS
(In thousands)

**For the
period from
June 28, 2017
(date of
acquisition)
through
December 31,
2017**

| | |
|-------------------------------------|-------------------|
| Revenue | \$ - |
| Expenses | |
| Interest | 1,810 |
| Real estate taxes | 374 |
| Development cost | 224 |
| General and administrative expenses | 605 |
| Total expenses | <u>3,013</u> |
| Net loss | <u>\$ (3,013)</u> |

The accompanying notes are an integral part of this financial statement.

LONE STAR BREWERY DEVELOPMENT, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S DEFICIENCY
(In thousands, expect share data)

| | Common Stock | | Series A Preferred Stock | | Additional | Accumulated | Total |
|--|---------------------|---------------|---------------------------------|---------------|------------------------|--------------------|-----------------------------|
| | Shares | Amount | Shares | Amount | Paid-in Capital | Deficit | Stockholder's Equity |
| Balance, June 28, 2017 (date of acquisition) | 1,000 | \$ - | - | \$ - | \$ 420 | \$ (9,321) | \$ (8,901) |
| Dividends declared | - | - | - | - | (209) | - | (209) |
| Dividends paid to prior owner | - | - | - | - | (707) | - | (707) |
| Preferred stock issuances | - | - | 1,427 | - | 3,994 | - | 3,994 |
| Net loss | - | - | - | - | - | (3,013) | (3,013) |
| Balance, December 31, 2017 | <u>1,000</u> | <u>\$ -</u> | <u>1,427</u> | <u>\$ -</u> | <u>\$ 3,498</u> | <u>\$ (12,334)</u> | <u>\$ (8,836)</u> |

The accompanying notes are an integral part of this financial statement.

LONE STAR BREWERY DEVELOPMENT, INC.
STATEMENT OF CASH FLOWS
(In thousands)

**For the
period from
June 28, 2017
(date of
acquisition)
through
December 31,
2017**

| | |
|---|-----------------|
| Cash flows from operating activities: | |
| Net loss | \$ (3,013) |
| Loss contingency | 250 |
| Adjustments to reconcile net loss resulting from operations to net cash used in operating activities: | |
| Paid-in-kind interest | 539 |
| Changes in operating liabilities: | |
| Accounts payable | 152 |
| Accrued interest | (1,115) |
| Real estate taxes payable | (97) |
| Net cash used in operating activities | <u>(3,284)</u> |
| Cash flows from financing activities: | |
| Dividends paid to prior owner | (707) |
| Proceeds from issuance of preferred stock | 3,994 |
| Net cash provided by financing activities | <u>3,287</u> |
| Net increase in cash | 3 |
| Cash, beginning of period | - |
| Cash, end of period | <u>\$ 3</u> |
| Supplemental disclosures of cash flow information | |
| Cash paid for interest expense | <u>\$ 2,387</u> |

The accompanying notes are an integral part of this financial statement.

LONE STAR BREWERY DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
(dollars In thousands)

NOTE A - ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN

Lone Star Brewery Development, Inc. (“Lone Star” or the “Company”) was incorporated on January 23, 2015. Lone Star is being redeveloped into a mixed-use property featuring food, shopping, entertainment, working and living. As of June 28, 2017, 1,000 shares of Common stock were outstanding held by the prior equity owner Mark Smith (“Predecessor”). The Company was acquired by Parkview Capital Credit, Inc. (“Parkview”) on June 28, 2017 (date of acquisition). Parkview issued 200,000 shares of their common stock and paid cash of \$707 to the Predecessor in exchange for 100% of equity ownership of the Company.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”). Financial statements are presented from June 28, 2017 (date of acquisition) through December 31, 2017. The Company elected not to apply pushdown accounting. The Company’s assets and liabilities are stated at historical cost.

The Company’s financial statements are prepared using GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As of the date of the financial statements, the Company has generated losses from operations, has an accumulated deficit and working capital deficiency. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

Since, the Company’s acquisition by Parkview, the Company has been working closely with Parkview to refinance and restructure its existing debt obligations. As more fully described in Note F and Note J, the Company completed transactions with the assistance of and capital provided by Parkview to: i) refinance its note payable with NCC Financial (“NCC”); ii) satisfy its note payable with Newell Nano Family Limited Partnership and iii) extend the due date of its note payable with Princeton Capital Corporation (“Princeton”).

With Parkview’s assistance, the Company intends on refinancing its note payable with Princeton Capital Corporation during 2018. The Company also intends to raise funds from the issuance of equity. There is no assurance that the Company will be able to refinance its notes payable or that additional funds from the issuance of equity will be available for the Company to finance its operations on acceptable terms, or at all. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid financial instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

Land and Building

Land and building are recognized at cost. The building will begin being depreciated once it is put into use. As of December 31, 2017, the building was not in use and therefore was not depreciated during the period from June 28, 2017 (date of acquisition) through December 31, 2017. Depreciation will be computed using the straight-line method over the estimated useful lives of respective assets (buildings are 27.5 years, improvements are 15 years). Expenses for maintenance and repairs are charged against operations when incurred.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured.

The Company had no revenue for the period from June 28, 2017 (date of acquisition) through December 31, 2017 due to ongoing development and construction.

Dividend payable

Dividends are payable to the preferred stockholder, Parkview, at a rate of 8% cash and 4% paid-in-kind compounded each year.

Income taxes

The Company is taxed as a C corporation (“C-Corp”) and is required to pay corporate level Federal income taxes on any ordinary income.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are reversed and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in 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, on-going analyses of tax laws, regulations and interpretations thereof. All tax years are open for examination.

NOTE C – ACQUISITION

The Company was acquired by Parkview on June 28, 2017. The Company elected not to apply pushdown accounting.

The Company issued 1,427 shares of Series A preferred stock in exchange for the \$3,994 cash provided by Parkview during the period from June 28, 2017 (date of acquisition) through December 31, 2017. Parkview issued 200,000 shares of their common stock to the Predecessor. In addition on June 28, 2017, of the \$2,800 preferred shares subscription purchased by Parkview, approximately \$707 was paid to the Predecessor.

The historical balance sheet of the Company at June 28, 2017 (date of acquisition) is as follows:

| | |
|---|------------------|
| ASSETS | |
| Building | \$ 1,874 |
| Land | 16,631 |
| Total assets | <u>\$ 18,505</u> |
| LIABILITIES AND STOCKHOLDER’S DEFICIENCY | |
| Accounts payable | \$ 156 |
| Accrued interest expense | 4,100 |
| Real estate taxes payable | 471 |
| Notes payable | 22,679 |
| Total liabilities | <u>27,406</u> |
| Common stock, par value \$0.01 per share, 10,000 shares authorized 1,000 shares issued and outstanding at June 28, 2017 | - |
| Additional paid in capital | 420 |
| Accumulated deficit | (9,321) |
| Total stockholder’s deficiency | <u>(8,901)</u> |
| Total liabilities and stockholder’s deficiency | <u>\$ 18,505</u> |

NOTE D – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2017, consisted of the following:

| | | |
|----------|----|---------------|
| Building | \$ | 1,874 |
| Land | | 16,631 |
| | \$ | <u>18,505</u> |

As of December 31, 2017, the building was not in use and therefore was not depreciated. The land serves as collateral on the Company's outstanding notes payable.

NOTE E – STOCKHOLDER'S DEFICIENCY

As of June 28, 2017, 1,000 shares of the 10,000 shares authorized common stock were outstanding held by a prior equity owner. The Company was acquired by Parkview on June 28, 2017. Parkview issued 200,000 shares of their common stock and paid cash of \$707 to the Predecessor in exchange for 100% of equity ownership of the Company.

Dividend charges on outstanding Series A preferred stock were \$209 during the period from June 28, 2017 (date of acquisition) through December 31, 2017. Accrued dividends payable was \$209 as of December 31, 2017.

The Company had the following issuances of its Series A preferred stock to Parkview during the period from June 28, 2017 (date of acquisition) through December 31, 2017:

| Date | Shares | Net proceeds |
|--------------------|--------|-----------------|
| June 28, 2017 | 1,000 | \$ 2,800 |
| August 30, 2017 | 90 | 252 |
| September 29, 2017 | 133 | 372 |
| October 16, 2017 | 200 | 560 |
| December 22, 2017 | 4 | 10 |
| | | <u>\$ 3,994</u> |

NOTE F – NOTES PAYABLE

NCC Financial

On April 10, 2015, the Company and NCC entered into a loan agreement, and three subsequent amendments (collectively, the "NCC Loan Agreement"). Pursuant to the NCC Loan Agreement, the Company borrowed a total of \$11,900 at a rate of 15%. The NCC Loan Agreement is secured by a First Lien Deed of Trust on three tracts of land totaling approximately 35.1410 acres of land located in San Antonio, Bexar County, Texas. Interest expense of approximately \$900 related to the NCC Loan Agreement was recognized and paid during the period from June 28, 2017 (date of acquisition) through December 31, 2017. There was no accrued interest on the note as of December 31, 2017. The outstanding principal of \$11,900 was due on December 31, 2017, at which point the NCC Loan Agreement went into default. On February 9, 2018, NCC Loan Agreement was paid in full by the refinancing of the loan with a new lender Bridge Invest 28 LLC ("BI 28") and there was a release of lien on the land that secured the note. See Note J for information on the loan refinancing.

Princeton Capital Corporation

On April 10, 2015, the Company and Princeton entered into a loan agreement, and a subsequent modification (collectively, the “Princeton Loan Agreement”). Pursuant to the Princeton Loan Agreement, the Company borrowed a total of \$8,000. Payment in Kind (“PIK”) interest is to be paid at a rate of 2%, with cash interest to be paid at 12%. Princeton Loan Agreement is secured by a Second Lien Deed of Trust on three tracts of land totaling approximately 35.1410 acres of land located in San Antonio, Bexar County, Texas. Accrued PIK interest and cash interest on the note was approximately \$453 and \$2,703, respectively as of December 31, 2017. Outstanding principal of \$8,453 is due on April 10, 2018. Interest expense of approximately \$729, includes \$86 of PIK interest, was recognized during the period from June 28, 2017 (date of acquisition) through December 31, 2017. The Company was in default of the Princeton Loan Agreement throughout 2017. On February 13, 2018, the Princeton Loan Agreement was extended to December 31, 2018 and was released from its lien on one section of the land with all other liens on other property remaining.

Newell Nano Family Limited Partnership

On April 10, 2015, the Company entered into two agreements with Newell Nano Family Limited Partnership and a separate agreement with Newell Commercial Properties (collectively, the “Newell Agreements”) in the purchase of Lot 22, N.C.B. A-17, Newell Salvage Subdivision, in the City of San Antonio, Bexar County, Texas, Plat No. 100223 (“property”). Pursuant to the Newell Agreements, the Company borrowed a total of \$2,779 at an interest rate of 1% and default rate of 12%. Interest expense of approximately \$182 related to the Newell Loan Agreement was recognized during the period from June 28, 2017 (date of acquisition) through December 31, 2017. Accrued interest on the note was \$368 as of December 31, 2017. Principal outstanding of \$2,500 and \$279 was due on April 10, 2017 and July 10, 2015, respectively. Two of the Newell Agreements with a maturity date of April 10, 2017 were secured by the property. The loans were in default as of December 31, 2017. On February 9, 2018 a release of lien and security interests were executed and the Newell Agreements were satisfied with the return of the property.

NOTE G – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is a defendant in a legal action arising in the normal course of business. On December 12, 2017, the Company was notified that a third party brought legal proceedings against it in connection with a real estate transaction. The case arises out of the Company’s refusal to refund \$550 in earnest money to a third party who entered into a contract with the Company in August 2016 to purchase 2.38 acres of land. The third party is alleging the Company breached its contractual obligation to negotiate certain easements and construction rights regarding an adjacent piece of property. If the Company is unable to resolve this dispute favorably the estimated adverse effect on the Company is expected to be between approximately \$250 and \$550. As of December 31, 2017, a contingency loss of \$250 has been accrued by the Company.

NOTE H - RELATED PARTY TRANSACTIONS

A company owned by the Predecessor of the Company has been retained to perform management, security and maintenance services. Management, security and maintenance expense of approximately \$135 was recognized during the period from June 28, 2017 (date of acquisition) through December 31, 2017 included on the Company’s Statement of Operations within general and administrative expenses. The Company paid approximately \$54 during the period from June 28, 2017 (date of acquisition) through December 31, 2017 for management, security and maintenance services performed during the period. As of December 31, 2017, the Company accrued \$81 for these services.

NOTE I – INCOME TAXES

As of December 31, 2017, the Company had \$3,013 of net loss on a tax basis. The components of deferred tax assets consist of the following:

| | | |
|--|----|-----------------|
| Loss contingency | \$ | 53 |
| NOL carryforwards | | <u>1,072</u> |
| Total deferred tax assets before valuation allowance | | 1,125 |
| Less: Valuation allowance | | <u>(1,125)</u> |
| Total deferred tax assets | \$ | <u><u>-</u></u> |

The difference between the Federal statutory tax rate of 35% and the effective tax rate of 0% for 2017 was attributable to the provision of a full valuation allowance. On December 22, 2017, the Tax Cuts and Jobs Act (the “2017 Act”) was signed into law, which includes a broad range of tax reform proposals affecting businesses in the United States of America, including corporate tax rates, business deductions and international tax provisions. One of the key changes to the tax law was the reduction of the corporate tax rate from 35% to 21%.

U.S. GAAP requires deferred tax assets and liabilities to be measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates that have been enacted by the end of the reporting period.

The primary impact of the 2017 Act on the Company’s tax provision is the reduction of the corporate tax rate from 35% to 21%. As such, the Company re-measured its deferred tax assets and liabilities as of December 31, 2017, utilizing the new Federal income tax rate of 21%.

NOTE J - SUBSEQUENT EVENTS

The Company had the following issuances of its Series A preferred stock to Parkview:

| Date | Shares | Net proceeds |
|------------------|--------|-----------------|
| January 24, 2018 | 7 | \$ 20 |
| January 31, 2018 | 9 | 26 |
| February 1, 2018 | 8.9 | 25 |
| February 9, 2018 | 1,160 | 3,248 |
| February 9, 2018 | 3 | <u>7</u> |
| | | <u>\$ 3,326</u> |

On February 15, 2018, the Company refinanced the NCC Loan Agreement with a new lender BI 28 for a loan agreement (“BI 28 Loan”) with a principal of \$11,000 at a rate of 12% to mature on August 8, 2019. Payments of interest are due monthly commencing on March 1, 2018. The BI 28 Loan is secured by a First Lien Deed of Trust on two tracts of land totaling approximately 21.585 acres of land located in San Antonio, Bexar County, Texas.

The Company has evaluated subsequent events through April 2, 2018, which is the date the financial statements were available to be issued.