

REFINITIV

## DELTA REPORT

### 10-Q

REFI - CHICAGO ATLANTIC REAL EST

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1934

■ CHANGES	234
■ DELETIONS	743
■ ADDITIONS	957



**CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
<b>Revenues</b>				
Interest income	\$ 15,183,450	\$ 13,795,097	\$ 46,369,976	\$ 35,478,178
Interest expense	(1,449,143)	(861,348)	(4,062,365)	(1,383,172)
<b>Net interest income</b>	<u>13,734,307</u>	<u>12,933,749</u>	<u>42,307,611</u>	<u>34,095,006</u>
<b>Expenses</b>				
Management and incentive fees, net	1,601,387	1,347,421	5,539,059	3,266,487
General and administrative expense	1,251,307	1,076,798	3,833,733	2,410,151
Professional fees	491,107	348,785	1,598,376	1,649,360
Stock based compensation	540,426	84,891	942,605	328,356
(Reversal)/provision for current expected credit losses	(41,351)	306,885	1,193,880	1,403,892
<b>Total expenses</b>	<u>3,842,876</u>	<u>3,164,780</u>	<u>13,107,653</u>	<u>9,058,246</u>
Change in unrealized gain on debt securities, at fair value	85,567	-	112,767	-
<b>Net Income before income taxes</b>	<u>9,976,998</u>	<u>9,768,969</u>	<u>29,312,725</u>	<u>25,036,760</u>
Income tax expense	-	-	-	-
<b>Net Income</b>	<u><u>\$ 9,976,998</u></u>	<u><u>\$ 9,768,969</u></u>	<u><u>\$ 29,312,725</u></u>	<u><u>\$ 25,036,760</u></u>
<b>Earnings per common share:</b>				
Basic earnings per common share	\$ 0.55	\$ 0.55	\$ 1.62	\$ 1.42
Diluted earnings per common share	\$ 0.54	\$ 0.55	\$ 1.60	\$ 1.41
<b>Weighted average number of common shares outstanding:</b>				
Basic weighted average shares of common stock outstanding	18,175,467	17,657,913	18,052,293	17,652,367
Diluted weighted average shares of common stock outstanding	18,562,930	17,752,290	18,269,171	17,747,612
			<b>For the three months ended March 31, 2024</b>	<b>For the three months ended March 31, 2023</b>
<b>Revenues</b>				
Interest income	\$ 15,343,667	\$ 16,527,304		
Interest expense	(2,104,050)	(1,618,296)		
<b>Net interest income</b>	<u>13,239,617</u>	<u>14,909,008</u>		
<b>Expenses</b>				
Management and incentive fees, net	1,754,741	2,138,005		
General and administrative expense	1,390,267	1,274,825		
Professional fees	449,858	569,375		
Stock based compensation	531,293	138,335		
Provision for current expected credit losses	380,279	96,119		
<b>Total expenses</b>	<u>4,506,438</u>	<u>4,216,659</u>		
Change in unrealized gain on debt securities, at fair value	(75,604)	-		
Realized gain on debt securities, at fair value	72,428	-		
<b>Net Income before income taxes</b>	<u><u>\$ 8,730,003</u></u>	<u><u>\$ 10,692,349</u></u>		
Income tax expense	-	-		
<b>Net Income</b>	<u><u>\$ 8,730,003</u></u>	<u><u>\$ 10,692,349</u></u>		
<b>Earnings per common share:</b>				
Basic earnings per common share	\$ 0.48	\$ 0.60		
Diluted earnings per common share	\$ 0.47	\$ 0.60		
<b>Weighted average number of common shares outstanding:</b>				

<i>Basic weighted average shares of common stock outstanding</i>	18,273,919	17,879,444
<i>Diluted weighted average shares of common stock outstanding</i>	18,640,492	17,960,103

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

**CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(UNAUDITED)**

<b>Three months ended September 30, 2023</b>						
	<b>Common Stock</b>		<b>Additional Paid-In-Capital</b>	<b>Accumulated Earnings (Deficit)</b>	<b>Total Stockholders' Equity</b>	
	<b>Shares</b>	<b>Amount</b>			<b>Shares</b>	<b>Amount</b>
<b>Balance at July 1, 2023</b>	18,175,393	181,754	276,405,754	(2,897,634)	273,689,874	
Issuance of common stock, net of offering costs	-	-	-	-	-	-
Issuance of common stock in connection with private placement, net of offering costs, underwriting discounts and commissions	-	-	-	-	-	-
Stock-based compensation	6,848	69	540,357	-	-	540,426
Dividends declared on common shares (\$.47 per share)	-	-	-	(8,421,905)	-	(8,421,905)
Net income	-	-	-	9,976,998	9,976,998	
<b>Balance at September 30, 2023</b>	<b>18,182,241</b>	<b>\$ 181,823</b>	<b>\$ 276,946,111</b>	<b>\$ (1,342,541)</b>	<b>\$ 275,785,393</b>	
<b>THREE MONTHS ENDED MARCH 31, 2024</b>						
	<b>Common Stock</b>		<b>Additional Paid-In-Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>	
	<b>Shares</b>	<b>Amount</b>			<b>Shares</b>	<b>Amount</b>
<b>Balance at December 31, 2023</b>	18,197,192	\$ 181,972	\$ 277,483,092	\$ (5,811,673)	\$ 271,853,391	
Issuance of common stock, net of offering costs	896,443	8,964	13,844,203	167	13,853,334	
Stock-based compensation	6,647	67	531,226	-	531,293	
Dividends declared on common shares (\$.47 per share)	-	-	-	(9,007,244)	(9,007,244)	
Net income	-	-	-	8,730,003	8,730,003	
<b>Balance at March 31, 2024</b>	<b>19,100,282</b>	<b>\$ 191,003</b>	<b>\$ 291,858,521</b>	<b>\$ (6,088,747)</b>	<b>\$ 285,960,777</b>	
<b>Three months ended September 30, 2022</b>						
<b>THREE MONTHS ENDED MARCH 31, 2023</b>						
	<b>Common Stock</b>		<b>Additional Paid-In-Capital</b>	<b>Accumulated Earnings</b>	<b>Total Stockholders' Equity</b>	
	<b>Shares</b>	<b>Amount</b>			<b>Shares</b>	<b>Amount</b>
<b>Balance at December 31, 2022</b>	17,685,952	\$ 176,859	\$ 268,995,848	\$ (5,139,684)	\$ 264,033,023	
Issuance of common stock in connection with initial public offering and concurrent private placement, net of offering costs, underwriting discounts and commissions	395,779	3,958	5,790,959	-	5,794,917	
Stock-based compensation	6,952	70	138,265	-	138,335	
Dividends declared on common shares (\$.47 per share)	-	-	-	(8,535,296)	(8,535,296)	
Net income	-	-	-	10,692,349	10,692,349	
<b>Balance at March 31, 2023</b>	<b>18,088,683</b>	<b>\$ 180,887</b>	<b>\$ 274,925,072</b>	<b>\$ (2,982,631)</b>	<b>\$ 272,123,328</b>	
<b>Nine months ended September 30, 2023</b>						
	<b>Common Stock</b>		<b>Additional Paid-In-Capital</b>	<b>Accumulated Earnings (Deficit)</b>	<b>Total Stockholders' Equity</b>	
	<b>Shares</b>	<b>Amount</b>			<b>Shares</b>	<b>Amount</b>
<b>Balance at July 1, 2022</b>	17,752,290	176,579	268,803,970	(353,038)	268,627,511	
Issuance of common stock, net of offering costs	-	-	-	-	-	-
Issuance of common stock in connection with initial public offering and concurrent private placement, net of offering costs, underwriting discounts and commissions	-	-	-	-	-	-
Stock-based compensation	(9,375)	-	84,891	10,593	95,484	
Dividends declared on common shares (\$.47 per share)	-	-	-	(8,339,170)	(8,339,170)	
Net income	-	-	-	9,768,969	9,768,969	
<b>Balance at September 30, 2022</b>	<b>17,742,915</b>	<b>\$ 176,579</b>	<b>\$ 268,888,861</b>	<b>\$ 1,087,354</b>	<b>\$ 270,152,794</b>	

	Common Stock		Additional Paid-In- Capital	Accumulated Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
<b>Balance at January 1, 2023</b>	17,766,936	176,859	268,995,848	(5,139,684)	264,033,023
Issuance of common stock, net of offering costs	79,862	799	1,221,553	-	1,222,352
Issuance of common stock in connection with private placement, net of offering costs, underwriting discounts and commissions	395,779	3,958	5,790,889	-	5,794,847
Stock based compensation	(60,336)	207	937,821	4,647	942,675
Dividends declared on common shares (\$1.41 per share)	-	-	-	(25,520,229)	(25,520,229)
Net income	-	-	-	29,312,725	29,312,725
<b>Balance at September 30, 2023</b>	<b>18,182,241</b>	<b>\$ 181,823</b>	<b>\$ 276,946,111</b>	<b>\$ (1,342,541)</b>	<b>\$ 275,785,393</b>
<b>Nine months ended September 30, 2022</b>					
	Common Stock		Additional Paid-In- Capital	Accumulated Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
<b>Balance at January 1, 2022</b>	17,453,553	173,551	264,081,977	(177,560)	264,077,968
Issuance of common stock, net of offering costs	302,800	3,028	4,478,528	-	4,481,556
Issuance of common stock in connection with initial public offering and concurrent private placement, net of offering costs, underwriting discounts and commissions	-	-	-	-	-
Stock-based compensation	(13,438)	-	328,356	11,775	340,131
Dividends declared on common shares (\$1.34 per share)	-	-	-	(23,783,621)	(23,783,621)
Net income	-	-	-	25,036,760	25,036,760
<b>Balance at September 30, 2022</b>	<b>17,742,915</b>	<b>\$ 176,579</b>	<b>\$ 268,888,861</b>	<b>\$ 1,087,354</b>	<b>\$ 270,152,794</b>

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

**CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the nine months ended September 30, 2023</b>	<b>For the nine months ended September 30, 2022</b>
<b>Operating activities</b>		
Net income	\$ 29,312,725	\$ 25,036,760
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Accretion of deferred loan origination fees and other discounts	(1,989,374)	(2,139,972)
Paid-in-kind interest	(6,343,749)	(4,096,721)
Provision for current expected credit losses	1,193,880	1,403,892
Change in unrealized gain on debt securities, at fair value	(112,767)	-
Amortization of deferred debt issuance costs	405,778	379,644
Stock based compensation	942,605	328,356
Changes in operating assets and liabilities:		
Interest receivable	(1,022,490)	(529,544)
Other receivables and assets, net	(146,364)	(172,699)
Interest reserve	(1,369,929)	(9,940,290)
Related party payables	271,268	1,100,201
Related party receivables	(3,824,900)	-
Purchase of debt securities, at fair value	(3,356,573)	-
Management and incentive fees payable	(1,694,213)	545,127
Accounts payable and accrued expenses	106,839	463,075
<b>Net cash provided by operating activities</b>	<b>12,912,736</b>	<b>12,377,829</b>
<b>Cash flows from investing activities</b>		
Issuance of and fundings of loans held for investment	(67,422,648)	(134,314,003)
Proceeds from sales of loans held for investment	13,399,712	6,696,777
Principal repayment of loans held for investment	62,837,108	6,892,654
<b>Net cash provided by/(used) in investing activities</b>	<b>8,814,172</b>	<b>(120,724,572)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of common stock	7,222,363	4,505,664
Proceeds from borrowings on revolving loan	64,000,000	53,000,000
Repayment of borrowings on revolving loan	(59,000,000)	-
Dividends paid to common shareholders	(30,566,088)	(19,874,715)
Payment of debt issuance costs	(112,279)	(177,261)
Payment of offering costs	(284,574)	(23,941)
<b>Net cash (used in)/provided by financing activities</b>	<b>(18,740,578)</b>	<b>37,429,747</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,986,330</b>	<b>(70,916,996)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,715,827</b>	<b>80,248,526</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8,702,157</b>	<b>\$ 9,331,530</b>
<b>Supplemental disclosure of non-cash financing and investing activities</b>		
Interest reserve withheld from funding of loan	1,007,910	8,929,716
OID withheld from funding of loans held for investment	1,676,017	2,180,593
Dividends declared and not yet paid	8,568,252	8,409,628
Transfer of loan held for investment to loan held for sale	13,399,712	-
<b>Supplemental information:</b>		
Interest paid during the period	\$ 3,530,521	\$ 646,278
	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		

Net income	\$ 8,730,003	\$ 10,692,349
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Accretion of deferred loan origination fees and other discounts	(477,756)	(908,873)
Paid-in-kind interest	(3,008,593)	(2,256,228)
Provision for current expected credit losses	380,279	96,119
Change in unrealized gain on debt securities, at fair value	75,604	-
Realized gain on debt securities, at fair value	(72,428)	-
Amortization of debt issuance costs	90,915	167,304
Stock based compensation	531,293	138,335
Changes in operating assets and liabilities:		
Interest receivable	77,288	(2,955,336)
Other receivables and assets, net	(97,151)	(19,507)
Interest reserve	1,444,982	(1,648,129)
Related party payables	(296,790)	(127,389)
Related party receivables	(85,129)	(237,885)
Proceeds from the redemption of debt securities, at fair value	839,094	-
Management and incentive fees payable	(1,424,347)	(1,157,595)
Accounts payable and accrued expenses	210,608	(81,098)
<b>Net cash provided by operating activities</b>	<b>6,917,872</b>	<b>1,702,067</b>
<b>Cash flows from investing activities</b>		
Issuance of and fundings of loans held for investment	(22,380,807)	(32,941,660)
Proceeds from sales of loans held for investment	-	13,399,712
Principal repayment of loans held for investment	3,663,452	44,858,834
<b>Net cash (used in)/provided by investing activities</b>	<b>(18,717,355)</b>	<b>25,316,886</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of common stock	9,811,862	6,000,010
Proceeds from borrowings on revolving loan	28,000,000	28,500,000
Repayment of borrowings on revolving loan	(12,750,000)	(49,000,000)
Dividends paid to common shareholders	(13,866,656)	(13,486,186)
Payment of debt issuance costs	(49,738)	(2,988)
Payment of offering costs	(339,912)	(104,711)
<b>Net cash provided by/(used in) financing activities</b>	<b>10,805,556</b>	<b>(28,093,875)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(993,927)</b>	<b>(1,074,922)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>7,898,040</b>	<b>5,715,827</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,904,113</b>	<b>\$ 4,640,905</b>
<b>Supplemental disclosure of non-cash financing and investing activities</b>		
Interest reserve withheld from funding of loans	\$ 2,032,688	\$ -
OID withheld from funding of loans held for investment	105,081	1,118,340
Subscription receivable from sale of common stock	4,472,690	-
Dividends declared and not yet paid	9,007,244	8,667,701
Transfer of loan held for investment to loan held for sale	-	13,399,712
<b>Supplemental information:</b>		

Interest paid during the period	\$ 1,786,333	\$ 1,363,742
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*The accompanying notes are an integral part of these consolidated financial statements.*

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**(UNAUDITED)**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

Chicago Atlantic Real Estate Finance, Inc., and its wholly owned consolidated subsidiary, Chicago Atlantic Lincoln LLC ("CAL") (collectively the "Company", "we", or "our"), is a commercial mortgage real estate investment trust ("REIT") incorporated in the state of Maryland on March 30, 2021. The Company has elected to be taxed as a REIT for United States federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2021. The Company generally will not be subject to United States federal income taxes on its REIT taxable income if it annually distributes to stockholders at least 90% of its REIT taxable income prior to the deduction for dividends paid and complies with various other requirements as a REIT.

The Company operates as one operating segment and its primary investment objective is to provide attractive, risk-adjusted returns for stockholders over time, primarily through consistent current income (dividends and distributions) and secondarily, through capital appreciation. The Company intends to achieve this objective by originating, structuring, and investing in first mortgage loans and alternative structured financings secured by commercial real estate properties. The Company's loan portfolio is primarily comprised of senior loans to state-licensed operators in the cannabis industry, secured by real estate, equipment, receivables, licenses, and/or other assets of the borrowers to the extent permitted by applicable laws and regulations governing such borrowers. We also lend to and invest in companies or properties that are not related to the cannabis industry if they provide return characteristics consistent with our investment objective.

The Company is externally managed by Chicago Atlantic REIT Manager, LLC (the "Manager"), a Delaware limited liability company, pursuant to the terms of the management agreement dated May 1, 2021, as amended in October 2021, which has a three-year initial term set to expire on April 30, 2024 (the "Management Agreement"), by and among the Company and the Manager. Manager (the "Management Agreement"). The Management Agreement had a three-year initial term that expired on April 30, 2024. After the initial term, the management agreement is automatically renewed for one-year periods unless the Company or the Manager elects not to renew in accordance with the terms of the Management Agreement. On April 30, 2024, the Management Agreement was automatically renewed. The Manager conducts substantially all of the Company's operations and provides asset management services for its real estate investments. For its services, the Manager is entitled to earn management fees and incentive compensation, both defined in and in accordance with the terms of the Management Agreement (Note 7). All of the Company's investment decisions are made by the investment committee of the Manager, subject to oversight by the Company's board of directors (the "Board"). The Manager is wholly-owned by Chicago Atlantic Group, LP. (the "Sponsor").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements and related notes of the Company have been prepared on the accrual basis of accounting and in conformity with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Our consolidated financial statements present the financial position, results of operations, and cash flows of Chicago Atlantic Real Estate Finance, Inc., and its wholly owned consolidated subsidiary, Chicago Atlantic Lincoln, LLC. All intercompany accounts and transactions have been eliminated in consolidation. Accordingly, these financial statements may not contain all disclosures required by generally accepted accounting principles. Reference should be made to Note 2 of the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the period ended December 31, 2022 December 31, 2023. In the opinion of the Company, all normal recurring adjustments have been made that are necessary to the fair statement of the results of operations and financial position as of and for the periods presented. Operating results for the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024.

**Cash and Cash Equivalents**

The Company's cash held with financial institutions may at times exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Company and the Manager seek to manage this credit risk relating to cash by monitoring the financial stability of the financial institutions and their ability to continue in business for the foreseeable future.

Cash and cash equivalents include funds on deposit with financial institutions, including demand deposits with financial institutions. Cash and short-term investments with an original maturity of three months or less when acquired are considered cash and cash equivalents for the purpose of the consolidated balance sheets and consolidated statements of cash flows, and represented \$149,086 \$6.9 million and \$0 \$7.9 million of total cash and cash equivalents as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

5

**Use of Estimates in the Preparation of Consolidated Financial Statements**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include the provision for current expected credit losses.

**Investments in Marketable Debt Securities**

Investments in marketable debt securities consist of debt securities that are classified as trading securities. Marketable debt securities are recorded at fair value on the consolidated balance sheets and unrealized gains and losses are included within the line item, change in unrealized gain on debt securities, at fair value on the consolidated statements of income. The table below summarizes the Company's marketable debt securities, at fair value.

	As of September 30, 2023				
	Face Amount	Amortized Cost	Unamortized Discount	Fair Value	Unrealized Gain/(Loss), Net
Corporate bonds	\$ 3,778,000	\$ 3,356,573	\$ 421,427	\$ 3,469,340	\$ 112,767

**Loans Held-for-Sale**

Once the Company decides to sell a loan(s), they are transferred from held for investment to held-for-sale and carried at the lower of cost or fair value. On the date a loan is transferred into the held-for-sale category, any previously recorded allowance for credit losses is reversed in earnings and the loan is recorded at its amortized cost. If the amortized cost exceeds the loan's fair value at the date of transfer, a valuation allowance is recorded equal to the difference between amortized cost basis and fair value. There were no loans classified as held-for-sale as of September 30, 2023 and December 31, 2022.

**Revenue Recognition**

Interest income on debt securities designated as trading securities is recognized on an accrual basis and is reported as interest receivable until collected. Interest income is accrued based on the outstanding face amount and the contractual terms of the securities. Original issue discount ("OID"), market discounts or premiums, if any, are recorded as an adjustment to the amortized cost and accreted or amortized as an adjustment to interest income using a method that approximates the effective interest method. Realized gains or losses on debt securities are measured by the difference between the net proceeds from the disposition and the amortized and/or accreted cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include loans charged off during the period, net of recoveries.

#### **Related party receivable**

Related party receivables represent interest and principal payments received from borrowers by the Company's affiliated loan administrative agent prior to the balance sheet date that were not remitted to the Company until subsequent to the balance sheet date. Related party receivables of \$3,284,900 as of September 30, 2023 were collected in October 2023.

#### **Income Taxes**

The Company is a Maryland corporation and has elected to be taxed as a REIT under the Code, commencing with the taxable year ended December 31, 2021. The Company believes that it qualifies as a REIT and that its method of operations will enable it to continue to qualify as a REIT. However, no assurances can be given that the Company's beliefs or expectations will be fulfilled, since qualification as a REIT depends on the Company satisfying numerous asset, income and distribution tests which depends, in part, on the Company's operating results.

To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that the Company distributes annually to its stockholders at least 90% of the Company's REIT taxable income prior to the deduction for dividends paid. To the extent that the Company distributes less than 100% of its REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), the Company will pay tax at regular corporate rates on that undistributed portion. Furthermore, if the Company distributes less than the sum of 1) 85% of its ordinary income for the calendar year, 2) 95% of its capital gain net income for the calendar year, and 3) any undistributed shortfall from its prior calendar year (the "Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if the Company elects to retain any of its net capital gain for any tax year, it must notify its stockholders and pay tax at regular corporate rates on the retained net capital gain. The stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain and receive an income tax credit for such amount. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that the Company's estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, the Company accrues excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations.

FASB ASC Topic 740, *Income Taxes* ("ASC 740"), prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are documented and supported for the taxable years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022. Based on the Company's evaluation, there is no reserve for any uncertain income tax positions. Accrued interest and penalties, if any, are included within accounts payable and other liabilities in the balance sheets.

#### **Recent Accounting Pronouncements**

In March 2022, November 2023, the Financial Accounting Standards Board FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This guidance requires public entities to disclose significant expense categories and amounts for each reportable segment, along with information regarding the composition of "other segment items." Additionally, the guidance requires the disclosure of the title and position of the entity's Chief Operating Decision Maker ("FASB CODM") issued Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR"), an explanation of how the CODM utilizes reported profit or loss measures to assess segment performance, and Vintage Disclosures. The amendments in this certain segment-related disclosures on an interim basis, which were previously required only annually. ASU eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, for public business entities, the amendments in this ASU require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost. The ASU's amendments are effective for fiscal years beginning after December 15, 2022, December 15, 2023 and interim periods within those fiscal years and beginning after December 15, 2024, early adoption is permitted. The Company's adoption of ASU 2022-02 on January 1, 2023 did this guidance is not expected to have a material

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significant impact on our consolidated financial statements. The Company does not expect to early adopt and will add the necessary disclosures upon adoption.

In December 2023, the FASB issued ASU 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 improves the transparency of income tax disclosures related to rate reconciliation and income taxes. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied prospectively, however retrospective application is permitted. The Company is currently evaluating the impact of the update on the Company's future consolidated financial statements.

#### **3. LOANS HELD FOR INVESTMENT, NET**

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's portfolio was comprised of loans to 27 28 and 22 27 borrowers, respectively, that the Company has the ability and intent to hold for the foreseeable future until maturity or until maturity, payoff. The portfolio of loans held for investment are held reported on the consolidated balance sheets at amortized cost. The Company's aggregate loan commitments and outstanding principal were approximately \$355.9 million \$401.3 million and \$341.8 million, \$378.8 million, respectively, as of September 30, 2023 March 31, 2024, and \$351.4 million \$377.6 million and \$343.0 million \$351.4 million, respectively as of December 31, 2022 December 31, 2023. During the three and nine month periods ended September 30, 2023 March 31, 2024, the Company funded approximately \$32.8 million and \$68.7 million \$22.4 million in new loan principal, respectively, principal.



As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, approximately **81.1%** **76.6%** and **83.1%** **80.5%**, respectively, of the Company's portfolio was comprised of floating rate loans that pay interest at the Prime Rate plus an applicable margin, and were subject to Prime Rate ceilings and floors as disclosed in the tables below. The carrying value of these loans was approximately **\$274.4 million** **\$287.7 million** and **\$281.6 million** **\$284.5 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

The remaining **18.9%** **23.4%** and **16.9%** **19.5%** of the portfolio was comprised of fixed rate loans that had a carrying value of approximately **\$64.4 million** **\$88.1 million** and **\$57.7 million** **\$69.1 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

The following tables summarize the Company's loans held for investment as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	As of September 30, 2023				As of March 31, 2024			
	Outstanding Principal (1)	Original Issue Discount	Carrying Value (1)	Weighted Average Remaining Life (Years) (2)	Outstanding Principal (1)	Original Issue Discount	Carrying Value (1)	Weighted Average Remaining Life (Years) (2)
Senior Term Loans	\$ 341,813,501	\$ (3,021,012)	\$ 338,792,489	2.2	\$ 377,576,334	\$ (1,732,020)	\$ 375,844,314	2.0
Current expected credit loss reserve	-	-	(5,112,195)		-	-	(5,356,018)	
<b>Total loans held at carrying value, net</b>	<b>\$ 341,813,501</b>	<b>\$ (3,021,012)</b>	<b>\$ 333,680,294</b>		<b>\$ 377,576,334</b>	<b>\$ (1,732,020)</b>	<b>\$ 370,488,296</b>	
<b>As of December 31, 2022</b>								
	Outstanding Principal (1)	Original Issue Discount	Carrying Value (1)	Weighted Average Remaining Life (Years) (2)				
Senior Term Loans	\$ 343,029,334	\$ (3,755,796)	\$ 339,273,538	2.2				
Current expected credit loss reserve	-	-	(3,940,939)					
<b>Total loans held at carrying value, net</b>	<b>\$ 343,029,334</b>	<b>\$ (3,755,796)</b>	<b>\$ 335,332,599</b>					

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccrued original issue discount, deferred loan fees and other upfront fees. Outstanding principal balance includes capitalized PIK interest, if applicable.

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of September 30, 2023 and December 31, 2022, respectively.

As of December 31, 2023				
	Outstanding Principal (1)	Original Issue Discount	Carrying Value (1)	Weighted Average Remaining Life (Years) (2)
Senior Term Loans	\$ 355,745,305	\$ (2,104,695)	\$ 353,640,610	2.1
Current expected credit loss reserve	-	-	(4,972,647)	
<b>Total loans held at carrying value, net</b>	<b>\$ 355,745,305</b>	<b>\$ (2,104,695)</b>	<b>\$ 348,667,963</b>	

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount, deferred loan fees and other upfront fees. Outstanding principal balance includes capitalized PIK interest, if applicable.

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of March 31, 2024 and December 31, 2023, respectively.

The following tables present changes in loans held at carrying value as of and for the nine three months ended September 30, 2023 March 31, 2024 and 2022.

	Principal (1)	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
<b>Balance at December 31, 2022</b>	<b>\$ 343,029,334</b>	<b>\$ (3,755,796)</b>	<b>\$ (3,940,939)</b>	<b>\$ 335,332,599</b>
New fundings	68,677,238	(1,254,590)	-	67,422,648
Principal repayment of loans	(62,837,108)	-	-	(62,837,108)
Accretion of original issue discount	-	1,989,374	-	1,989,374
Sale of loan (2)	(13,399,712)	-	-	(13,399,712)
PIK interest	6,343,749	-	-	6,343,749
Current expected credit loss reserve	-	-	(1,171,256)	(1,171,256)
<b>Balance at September 30, 2023</b>	<b>\$ 341,813,501</b>	<b>\$ (3,021,012)</b>	<b>\$ (5,112,195)</b>	<b>\$ 333,680,294</b>

7

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount, deferred loan fees and other upfront fees. Outstanding principal balance includes capitalized paid-in-kind ("PIK") interest, if applicable.

(2) One loan was reclassified as held for sale from loans held for investment as the decision was made to sell the loan during the nine months ended September 30, 2023 to a syndicate of co-lenders which includes a third party and two affiliates under common control with our Manager. The sale was executed on March 31, 2023 (Note 7).

	Principal (1)	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
<b>Balance at December 31, 2021</b>	<b>\$ 200,632,056</b>	<b>\$ (3,647,490)</b>	<b>\$ (134,542)</b>	<b>\$ 196,850,024</b>
New fundings	143,624,312	(2,180,593)	-	141,443,719
Principal repayment of loans	(6,892,654)	-	-	(6,892,654)
Accretion of original issue discount	-	2,139,972	-	2,139,972
Proceeds from sale of loans	(6,957,500)	260,723	-	(6,696,777)
PIK Interest	4,096,721	-	-	4,096,721
Current expected credit loss reserve	-	-	(1,363,391)	(1,363,391)
<b>Balance at September 30, 2022</b>	<b>\$ 334,502,935</b>	<b>\$ (3,427,388)</b>	<b>\$ (1,497,933)</b>	<b>\$ 329,577,614</b>

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount, deferred loan fees and other upfront fees. Outstanding principal balance includes capitalized PIK interest, if applicable.

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
<b>Balance at December 31, 2023</b>	<b>\$ 355,745,305</b>	<b>\$ (2,104,695)</b>	<b>\$ (4,972,647)</b>	<b>\$ 348,667,963</b>
New fundings	22,485,888	(105,081)	-	22,380,807
Principal repayment of loans	(3,663,452)	-	-	(3,663,452)

Accretion of original issue discount	-	477,756	-	477,756
PIK Interest	3,008,593	-	-	3,008,593
Current expected credit loss reserve	-	-	(383,371)	(383,371)
<b>Balance at March 31, 2024</b>	<b>\$ 377,576,334</b>	<b>\$ (1,732,020)</b>	<b>\$ (5,356,018)</b>	<b>\$ 370,488,296</b>

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccrued original issue discount, deferred loan fees and other up-front fees. Outstanding principal balance includes capitalized paid-in-kind ("PIK") interest, if applicable.





A more detailed listing of the Company's loans held at carrying value based on information available as of **September 30, 2023** **March 31, 2024**, is as follows:

Loan	Location(s)	Initial Funding Date (1)	Maturity Date (2)	Total Commitment (3)	Principal Balance	Original Issue (Discount)	Carrying Value	Percent of Our Loan Portfolio	Future Fundings	Interest Rate (4)	Periodic Payment (5)	YTM IRR (6)
1	Various	10/27/2022	10/30/2026	\$ 30,000,000	\$ 30,000,000	\$ (692,213)	\$ 29,307,787	8.7 %	-	P+6.5% Cash (10)	I/O	17.3 %
2	Michigan	1/13/2022	12/31/2024	35,891,668	38,400,627	(101,451)	38,299,176	11.3 %	-	P+6.65% Cash, 3.25% PIK (16)	P&I	18.0 %
3 <sup>(17)</sup>	Various	3/25/2021	11/29/2024	20,105,628	20,524,482	(307,143)	20,217,339	6.0 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.2 %
4	Arizona	4/19/2021	12/31/2023	14,120,000	14,722,749	-	14,722,749	4.3 %	-	P+11.75% Cash (14)	I/O	18.1 %
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,197,120	-	3,197,120	0.9 %	204,000	P+12.25% Cash (7)	P&I	22.4 %
6	Michigan	8/20/2021	2/20/2024	6,000,000	4,264,421	(1,499)	4,262,922	1.3 %	1,500,000	P+9% Cash (7)	P&I	20.8 %
7	Illinois, Arizona	8/24/2021	6/30/2025	25,000,000	20,913,172	(150,172)	20,763,000	6.1 %	-	P+6% Cash, 2% PIK (11)	P&I	18.6 %
8	West Virginia	9/1/2021	9/1/2024	9,500,000	11,086,045	(58,421)	11,027,624	3.3 %	-	P+9.25% Cash, 2% PIK (15)	P&I	26.1 %
9 <sup>(18)</sup>	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,278,729	-	16,278,729	4.8 %	-	P+10.75% Cash, 3% PIK (7)	P&I	19.3 %
10	Michigan	9/30/2021	9/30/2024	470,411	169,871	-	169,871	0.1 %	-	11% Cash	P&I	21.4 %
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,142,423	(357,973)	32,784,450	9.7 %	-	P+8.75% Cash, 2% PIK (7)	I/O	22.0 %
12	Various	11/8/2021	10/31/2024	13,574,667	8,710,222	(68,215)	8,642,007	2.6 %	-	P+9% Cash (12)	P&I	19.8 %
13	Michigan	11/22/2021	11/1/2024	13,100,000	13,004,225	(74,165)	12,930,060	3.8 %	-	P+6% Cash, 1.5% PIK (11)	I/O	18.9 %
14	Various	12/27/2021	12/27/2026	5,000,000	5,125,000	-	5,125,000	1.5 %	-	P+12.25% Cash, 2.5% PIK (8)	P&I	23.5 %
16	Florida	12/30/2021	12/31/2024	13,000,000	4,887,500	(23,849)	4,863,651	1.4 %	5,500,000	P+9.25% Cash (7)	I/O	33.6 %
17	Florida	1/18/2022	1/31/2025	15,000,000	15,000,000	(168,338)	14,831,662	4.4 %	-	P+4.75% Cash (10)	P&I	14.4 %
18	Ohio	2/3/2022	2/28/2025	11,662,050	13,000,915	(112,166)	12,888,749	3.8 %	-	P+1.75% Cash, 5% PIK(11)	P&I	22.1 %
19	Florida	3/11/2022	8/29/2025	20,000,000	20,537,025	(55,525)	20,481,500	6.0 %	-	11% Cash, 3% PIK	P&I	15.5 %
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,602,435	(92,534)	17,509,901	5.2 %	-	11% Cash, 2% PIK	P&I	14.7 %
21	Illinois	7/1/2022	7/29/2026	9,000,000	5,192,975	(62,438)	5,130,537	1.5 %	4,000,000	P+8.5% Cash, 3% PIK	P&I	25.6 %
22	Maryland	1/24/2023	1/24/2026	11,250,000	10,795,144	(521,647)	10,273,497	3.0 %	-	P+5.75% Cash, 1.4% PIK (10)	P&I	20.4 %
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,920,000	(41,500)	1,878,500	0.6 %	-	P+7.5% Cash (13)	P&I	18.9 %
24	Oregon	3/31/2023	9/27/2026	1,000,000	900,000	-	900,000	0.3 %	-	P+10.5% Cash (9)	P&I	21.7 %
25	New York	8/1/2023	6/29/2036	18,746,662	18,417,846	-	18,417,846	5.4 %	-	15% Cash	P&I	16.7 %
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(131,763)	5,318,237	1.6 %	-	14% Cash	P&I	19.1 %
27	Nebraska	8/15/2023	6/30/2027	6,103,870	6,103,870	-	6,103,870	1.8 %	-	P+8.75% Cash	P&I	19.0 %
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,705	-	2,466,705	0.7 %	-	15% Cash	P&I	17.4 %
<b>Current expected credit losses</b>		-	-	-	-	(5,112,195)	-	-	-	-	-	-
<b>Total loans held at carrying value</b>		<b>355,941,661</b>	<b>341,813,501</b>	<b>(3,021,012)</b>	<b>333,680,294</b>	<b>100.0 %</b>	<b>11,204,000</b>			<b>Wtd Average</b>		<b>19.3 %</b>

(1) All loans originated prior to April 1, 2021 were purchased from affiliated entities at fair value plus accrued interest on or subsequent to April 1, 2021.

(2) Certain loans are subject to contractual extension options and may be subject to performance based on other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without a contractual prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

(3) Total Commitment excludes future amounts to be advanced at sole discretion of the lender and reflects receipt of scheduled amortization payments as of September 30, 2023.

(4) "P" = prime rate and depicts floating rate loans that pay interest at the prime rate plus a specific percentage; "PIK" = paid-in-kind interest; subtotal represents weighted average interest rate.

Loan	Location(s)	Initial		Principal Balance	Original Issue Discount	Carrying Value	Percent of Our Portfolio	Future Fundings	Interest Rate (4)	Periodic Payment (5)	YTM IRR (6)	
		Funding Date (1)	Maturity Date (2)									
1	Various	10/27/2022	10/30/2026	\$ 30,000,000	\$ 29,820,000	\$ (579,713)	\$ 29,240,287	7.8 %	-	P+6.5% Cash (11)	I/O	17.4 %
2	Michigan	1/13/2022	12/31/2024	35,891,667	39,167,481	(60,915)	39,106,565	10.4 %	-	P+6.65% Cash, 4.25% PIK (17)	P&I	18.0 %
3 <sup>(19)</sup>	Various	3/25/2021	11/29/2024	20,105,628	20,791,605	(45,680)	20,745,924	5.5 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.5 %
4	Arizona	4/19/2021	4/16/2024	14,240,129	16,091,216	-	16,091,216	4.3 %	-	15% PIK (15)	I/O	30.5 %
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,036,680	-	3,036,680	0.8 %	-	P+12.25% Cash (7)	P&I	22.8 %
6	Michigan	8/20/2021	4/15/2024	6,000,000	4,611,348	-	4,611,348	1.2 %	-	P+9% Cash (7)	P&I	20.9 %

7	Illinois, Arizona	8/24/2021	6/30/2025	26,002,665	20,663,292	(136,918 )	20,526,374	5.5 %	-	P+6% Cash, 2% PIK (12)	P&I	19.5%
8	West Virginia	9/1/2021	9/1/2024	9,500,000	12,094,954	(26,697 )	12,068,257	3.2 %	-	P+9.25% Cash, 2% PIK (8)	P&I	25.1%
9 <sup>(1)</sup>	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,527,188	-	16,527,188	4.4 %	-	P+10.75% Cash, 3% PIK (7)	P&I	16.3%
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,478,944	(178,986 )	33,299,958	8.9 %	-	P+8.75% Cash, 2% PIK (7)	I/O	22.0%
12	Various	11/8/2021	10/31/2024	20,000,000	8,710,222	(36,770 )	8,673,452	2.3 %	-	P+7% Cash (13)	P&I	19.5%
13	Michigan	11/22/2021	11/1/2024	13,600,000	13,279,539	(41,628 )	13,237,911	3.5 %	-	P+6% Cash, 1.5% PIK (12)	I/O	19.5%
14	Various	12/27/2021	12/27/2026	5,000,000	5,253,125	-	5,253,125	1.4 %	-	P+12.25% Cash, 2.5% PIK (9)	P&I	23.2%
16	Florida	12/30/2021	12/31/2024	13,000,000	4,232,500	(14,320 )	4,218,180	1.1 %	-	P+9.25% Cash (7)	I/O	35.7%
17	Florida	1/18/2022	1/31/2025	15,000,000	14,550,000	(105,341 )	14,444,659	3.8 %	-	P+4.75% Cash (11)	P&I	14.8%
18	Ohio	2/3/2022	2/28/2025	22,448,992	20,731,419	(72,670 )	20,658,749	5.5 %	-	P+1.75% Cash, 5% PIK (12)	P&I	16.4%
19	Florida	3/11/2022	12/31/2025	20,000,000	19,696,007	(41,819 )	19,654,188	5.2 %	-	11% Cash, 5% PIK	P&I	16.5%
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,781,166	(64,682 )	17,716,484	4.7 %	-	11% Cash, 2% PIK	P&I	14.7%
21	Illinois	7/1/2022	7/29/2026	9,000,000	4,976,931	(51,377 )	4,925,554	1.3 %	-	P+8.5% Cash, 3% PIK (9)	P&I	27.0%
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,820,000	(33,182 )	1,786,818	0.5 %	-	P+7.5% Cash (14)	P&I	18.9%
24	Oregon	3/31/2023	9/27/2026	1,000,000	760,000	-	760,000	0.2 %	-	P+10.5% Cash (10)	P&I	21.7%
25	New York	8/1/2023	6/29/2036	26,309,588	24,834,254	-	24,834,254	6.6 %	-	15% Cash	P&I	16.6%
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(104,394 )	5,345,606	1.4 %	-	14% Cash	P&I	19.1%
27	Nebraska	8/15/2023	6/30/2027	13,061,667	13,061,667	-	13,061,667	3.5 %	-	P+8.75% Cash	P&I	19.0%
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,706	-	2,466,706	0.7 %	-	15% Cash	P&I	17.4%
29	Illinois	10/11/2023	10/9/2026	2,000,000	2,010,090	-	2,010,090	0.5 %	-	11.4% Cash, 1.5% PIK	P&I	14.8%
30	Missouri, Arizona	12/20/2023	12/31/2026	15,000,000	15,000,000	(136,926 )	14,863,074	4.0 %	-	P+7.75% Cash (16)	I/O	18.1%
31	California, Arizona	1/3/2024	5/3/2026	6,680,000	6,680,000	-	6,680,000	1.8 %	-	P+8.75% Cash	I/O	19.0%
			<b>Subtotal</b>	<b>\$ 401,257,040</b>	<b>\$ 377,576,334</b>	<b>\$ (1,732,020 )</b>	<b>\$ 375,844,314</b>	<b>100 %</b>	<b>\$ —</b>		<b>Wtd Average</b>	<b>19.4%</b>

(1) All loans originated prior to April 1, 2021 were purchased from affiliated entities at fair value plus accrued interest on or subsequent to April 1, 2021. Loan numbering in table above is maintained from origination for purposes of comparability and may not be sequential due to maturities, payoffs, or refinancings.

(2) Certain loans are subject to contractual extension options and may be subject to performance based on other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein and certain borrowers may have the right to prepay with or without a contractual prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.



(5) P&I = principal and interest. I/O = interest only. P&I loans may include interest only periods for a portion of the loan term.

(13) This Loan is subject to a prime rate floor of 7.50%

(14) This Loan is subject to a prime rate floor of 8.00%

(15) This Loan is subject to a prime rate floor of 8.25%

(16) This Loan is subject to a prime rate floor of 8.50%

(17) This Loan is subject to a prime rate cap of 5.85%

(18) The aggregate loan commitment to Loan #3 includes a \$15.9 million initial commitment which has a base interest rate of 13.625%, 2.75% PIK and a second commitment of \$4.2 million which has an interest rate of 15.00%, 2.00% PIK. The statistics presented reflect the weighted average of the terms under all advances for the total aggregate loan commitment.

(12) This Loan is subject to a prime rate floor of 7.00%

(6) Estimated YTM includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the term of the loan. The estimated YTM calculations require management to make estimates and assumptions, including, but not limited to, the timing and amounts of loan draws on delayed draw loans, the timing and collectability of exit fees, the probability and timing of prepayments and the probability of contingent features occurring. For example, certain credit agreements contain provisions pursuant to which certain PIK interest rates and fees earned by us under such credit agreements will decrease upon the satisfaction of certain specified criteria which we believe may improve the risk profile of the applicable borrower. To be conservative, we have not assumed any prepayment penalties or early payoffs in our estimated YTM calculation. Estimated YTM is based on current management estimates and assumptions, which may change. Actual results could differ from those estimates and assumptions.

(7) This Loan is subject to a prime rate floor of 3.25%

(8) This Loan is subject to a prime rate floor of 4.75%

(9) This Loan is subject to a prime rate floor of 5.50%

(10) This Loan is subject to a prime rate floor of 6.25%

(11) This Loan is subject to a prime rate floor of 7.00%

(12) This Loan is subject to a prime rate floor of 7.50%

(13) This Loan is subject to a prime rate floor of 8.00%

(14) This Loan is subject to a prime rate floor of 8.25%

(15) This Loan is subject to a prime rate floor of 4.00%

(16) This Loan is subject to a prime rate cap of 5.85%

(17) The aggregate loan commitment to Loan #3 includes a \$15.9 million initial commitment which has a base interest rate of 13.625%, 2.75% PIK and a second commitment of \$4.2 million which has an interest rate of 15.00%, 2.00% PIK. The statistics presented reflect the weighted average of the terms under all advances for the total aggregate loan commitment.

(18)

As of May 1, 2023, Loan #9 was placed on non-accrual status and continues to be on non-accrual as of September 30, 2023. Loan #9 is included on the consolidated balance sheet as a loan held for investment – related party (Note 7).

(19) As of May 1, 2023, Loan #9 was placed on non-accrual status and remains on non-accrual as of March 31, 2024. Loan #9 is included on the consolidated balance sheet as a loan held for investment – related party (Note 7).

The following table presents aging analyses of past due loans by amortized cost, excluding the CECL reserve, as of September 30, 2023 March 31, 2024 and December 31, 2023. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were one and zero loans loan with principal greater than 90 days past due, respectively, due.

	As of September 30, 2023							As of March 31, 2024						
	Current Loans <sup>(1)</sup>	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due <sup>(2)</sup>	Total Past Due	Non-Accrual <sup>(2)</sup>	Total Loans	31-60 Days	61-90 Days	Total Past Due	Current Loans (1)	Past Due	90+ Days Past Due (2)	Total Past Due
		Current Loans (1)	Days Past Due	Days Past Due	Total Past Due	Current Loans (1)	Days Past Due	Days Past Due	Total Past Due	Current Loans (1)	Days Past Due	Days Past Due	Total Past Due	Total Loans
Senior Term Loans	\$ 322,513,760	\$ -	\$ -	\$ 16,278,729	\$ 16,278,729	\$ 16,278,729	\$ 338,792,489	\$ 359,317,126	\$ -	\$ -	\$ 16,527,188	\$ 16,527,188	\$ 375,844,314	\$ 375,844,314
Total	\$ 322,513,760	\$ -	\$ -	\$ 16,278,729	\$ 16,278,729	\$ 16,278,729	\$ 338,792,489	\$ 359,317,126	\$ -	\$ -	\$ 16,527,188	\$ 16,527,188	\$ 375,844,314	\$ 375,844,314

(1) Loans 1-30 days past due are included in the current loans.

(2) On May 1, 2023, Loan #9 was placed on non-accrual status. On June 20, 2023, the Administrative Agent to Loan #9 issued an acceleration notice requesting immediate payment of all amounts outstanding and therefore is 90 days past due as of September 30, 2023.

(1) Loans 1-30 days past due are included in the current loans.

(2) On May 1, 2023, Loan #9 was placed on non-accrual status. On June 20, 2023, the Administrative Agent to Loan #9 issued an acceleration notice requesting immediate payment of all amounts outstanding and therefore is greater than 90 days past due as of March 31, 2024.

	As of December 31, 2022						
	Current Loans <sup>(1)</sup>	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due <sup>(2)</sup>	Total Past Due	Non-Accrual	Total Loans
		Current Loans (1)	Days Past Due	Days Past Due	Total Past Due	Non-Accrual	Total Loans
Senior Term Loans	\$ 339,273,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,273,538
Total	\$ 339,273,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,273,538

(1) Loans 1-30 days past due are included in the current loans.

	As of December 31, 2023						
	Current Loans (1)	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total Past Due	Total Loans	Non-Accrual(2)
		Current Loans (1)	Days Past Due	Days Past Due	Total Past Due	Total Loans	Non-Accrual(2)
Senior Term Loans	\$ 337,238,122	\$ -	\$ -	\$ 16,402,488	\$ 16,402,488	\$ 353,640,610	\$ 20,666,374
Total	\$ 337,238,122	\$ -	\$ -	\$ 16,402,488	\$ 16,402,488	\$ 353,640,610	\$ 20,666,374

(2) There were no loans past due as of January 1, 2022.

(1) Loans 1-30 days past due are included in the current loans.

(2) On May 1, 2023, Loan #9 was placed on non-accrual status. On June 20, 2023, the Administrative Agent to Loan #9 issued an acceleration notice requesting immediate payment of all amounts outstanding and therefore is 90 days past due as of December 31, 2023.

#### Non-Accrual Loans

##### Non-Accrual Loans

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were one and zero two loans placed on non-accrual status, status, respectively.

Loan #9 was placed on non-accrual status as of May 1, 2023 and has both an outstanding principal balance and carrying value of approximately \$16.3 million \$16.5 million and \$15.9 million \$16.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and carries a reserve for current expected credit losses of approximately \$1.3 million \$1.3 million as of September 30, 2023 March 31, 2024.

During the three and nine-month periods ended September 30, 2023, the Company recognized \$0 and \$1.3 million of interest income on this non-accrual loan. The Company ceased accruing interest on the first date of delinquency, based on expectation of its ability to collect all amounts then due from the borrower. As a result, there was no accrued interest to write-off when the loan was placed on non-accrual.

**Loan #6 was placed on non-accrual status as of December 1, 2023 and has both an outstanding principal balance and carrying value of approximately \$4.3 million as of December 31, 2023. In March 2024, the Company entered into an amendment to Loan #6, which**

**10**

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**extended the maturity date to April 15, 2024. In connection with this amendment, Loan #6 was restored to accrual status. In April 2024, the loan maturity was further extended to May 31, 2024.**

#### **Credit Quality Indicators**

The Company assesses the risk factors of each loan, and assigns a risk rating based on a variety of factors, including, without limitation, payment history, real estate collateral coverage, property type, geographic and local market dynamics, financial performance, loan to enterprise value and fixed charge coverage ratios, loan structure and exit strategy, and project sponsorship. This review is performed quarterly. Based on a 5-point scale, the Company's loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

Rating	Definition
1	Very low risk
2	Low risk
3	Moderate/average risk
4	High risk/potential for loss: a loan that has a risk of realizing a principal loss
5	Impaired/loss likely: a loan that has a high risk of realizing principal loss, has incurred principal loss or an impairment has been recorded

The risk ratings are primarily based on historical data and current conditions specific to each portfolio company, as well as consideration of future economic conditions and each borrower's estimated ability to meet debt service requirements. The risk ratings shown in the following table as of **September 30, 2023 to December 31, 2022** **March 31, 2024** and **December 31, 2023** consider borrower specific credit history and performance and reflect a quarterly re-evaluation of overall current macroeconomic conditions affecting the Company's borrowers. As interest rates have increased due to rising rates from the Federal Reserve Board, it has impacted borrowers' ability to service their debt obligations on a global scale. **This decline** **The changes** in risk ratings had an effect on the level of the current expected credit loss reserve though, other than the one loan placed on non-accrual status, the loans continued to perform as expected. For approximately **74.3%****65.7%** of the portfolio, the fair value of the underlying real estate collateral exceeded the amounts outstanding under the loans as of **September 30, 2023** **March 31, 2024**. The remaining approximately **25.7%****34.3%** of the portfolio, while not fully collateralized by real estate, may be partially collateralized by real estate and was secured by other forms of collateral including equipment, receivables, licenses and/or other assets of the borrowers to the extent permitted by applicable laws and regulations governing such borrowers. The amounts above exclude any apportionment of real estate collateral permissible under the applicable income and asset tests for REIT eligibility.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the carrying value, excluding the current expected credit loss reserve (the "CECL Reserve"), of the Company's loans within each risk rating category by year of origination is as follows:

Risk	As of September 30, 2023(1)(2)						As of December 31, 2022(1)					As of March 31, 2024(1)(2)				
	Rating	2023	2022	2021	2020	2019	Total	2022	2021	2020	2019	Total	2024	2023	2022	
1	\$ 10,273,497	\$ 37,991,401	\$ 169,871	\$ -	\$ -	\$ 48,434,769	\$ -	\$ 274,406	\$ -	\$ -	\$ -	\$ 274,406	\$ -	\$ 760,000	\$ 37,370,672	\$ -
2	26,514,583	112,727,913	36,509,859	-	-	175,752,355	94,467,449	88,444,868	29,140,546	-	-	212,052,863	973,078	61,901,509	76,437,863	46
3	8,570,575	5,130,537	58,875,151	-	-	72,576,263	30,415,113	83,131,444	-	-	-	113,546,557	6,680,000	2,466,705	39,106,565	59
4	-	-	42,029,102	-	-	42,029,102	-	13,399,712	-	-	-	13,399,712	-	-	-	44
5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 45,358,655	\$ 155,849,851	\$ 137,583,983	\$ -	\$ -	\$ 338,792,489	\$ 124,882,562	\$ 185,250,430	\$ 29,140,546	\$ -	\$ -	\$ 339,273,538	\$ 7,653,078	\$ 65,128,214	\$ 152,915,100	\$ 150

(Amounts are presented by loan origination year with subsequent advances shown in the original year of origination.

presented by  
loan origination  
year with  
subsequent  
advances shown  
in the original  
year of  
origination.

(2) Loan #9 placed on non-accrual status is included in risk rating category "4" and has a reserve for current expected credit losses of approximately \$1.3 million as of September 30, 2023.

million as of March 31, 2024 and \$ 1.5 million as of December 31, 2023.

Real estate collateral coverage is also a significant credit quality indicator, and real estate collateral coverage, excluding the CECL Reserve, was as follows as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

#### As of September 30, 2023 Real Estate Collateral Coverage (1)

As of March	As of September 30, 2023 Real Estate Collateral Coverage (1)							As of March 31, 2024 Real Estate Collateral Coverage (1)					As of March 31, 2024 Real Estate Collateral Coverage (1)		
	As of September 30, 2023 Real Estate Collateral Coverage (1)							As of March 31, 2024 Real Estate Collateral Coverage (1)					As of March 31, 2024 Real Estate Collateral Coverage (1)		
31, 2024	Real Estate	Collateral	Coverage(1)	< 1.0x	1.0x-1.25x	1.25x-1.5x	1.50x-1.75x	1.75x-2.0x	> 2.0x	Total	< 1.0x	1.0x - 1.25x	1.25x - 1.5x	1.75x	> 2.0x
Fixed-rate	\$ 2,466,705	\$ -	\$ 20,481,500	\$ 17,509,901	\$ 18,417,846	\$ 169,871	\$ 59,045,823	\$ -	\$ -	\$ -	\$ 2,466,705	\$ 17,716,484	\$ 44,488,442	\$ -	\$ 20,658,750
Floating-rate	83,612,873	36,803,211	54,645,036	14,722,749	25,893,537	64,069,260	279,746,666	126,010,679	38,866,605	69,642,441	-	-	-	-	-
	\$ 86,079,578	\$ 36,803,211	\$ 75,126,536	\$ 32,232,650	\$ 44,311,383	\$ 64,239,131	\$ 338,792,489	\$ 128,477,384	\$ 56,583,089	\$ 114,130,883	\$ -	\$ 20,658,750	\$ -	\$ -	\$ -

**As of December 31, 2022 Real Estate Collateral Coverage (1)**

As of  
December  
31, 2023  
Real Estate  
Collateral  
Coverage(1)

	As of December 31, 2022 Real Estate Collateral Coverage							As of December 31, 2023 Real Estate Collateral Coverage				
	< 1.0x	1.0x-1.25x	1.25x-1.5x	1.50x-1.75x	1.75x-2.0x	> 2.0x	Total	< 1.0x	1.0x - 1.25x	1.25x - 1.5x	1.50x - 1.75x	1.75x - 2.0x
Fixed-rate	\$ -	\$ -	\$ 20,406,737	\$ 17,203,138	\$ -	\$ 20,089,663	\$ 57,699,538	\$ 2,466,706	\$ -	\$ 49,041,867	\$ 17,613,043	\$ -
Floating-rate	63,963,105	78,211,454	13,399,712	9,980,730	12,849,490	103,169,509	281,574,000	104,322,083	35,491,887	38,729,046	15,396,370	5,296,300
	<b>\$ 63,963,105</b>	<b>\$ 78,211,454</b>	<b>\$ 33,806,449</b>	<b>\$ 27,183,868</b>	<b>\$ 12,849,490</b>	<b>\$ 123,259,172</b>	<b>\$ 339,273,538</b>	<b>\$ 106,788,789</b>	<b>\$ 35,491,887</b>	<b>\$ 87,770,913</b>	<b>\$ 33,009,413</b>	<b>\$ 5,296,300</b>

(1) Real estate collateral coverage is calculated based upon most recent third-party appraised values. The Company generally obtains new appraisal of all material real estate collateral at least once annually.

11

**CECL Reserve**

(1) Real estate collateral coverage is calculated based upon most recent third-party appraised values. The Company generally obtains new appraisal of all material real estate collateral at least once annually.

Geography concentration of our loans held for investment is also a significant credit quality indicator. As of March 31, 2024 and December 31, 2023, our borrowers have operations in the jurisdictions in the table below:

Jurisdiction	As of March 31, 2024		As of December 31, 2023		
	Outstanding Principal (1)	Our Loan Portfolio	Jurisdiction	Outstanding Principal (1)	Our Loan Portfolio
Michigan	\$ 57,058,369	15 %	Michigan	\$ 56,466,635	16 %
Maryland	54,209,643	14 %	Maryland	53,907,352	15 %
Florida	47,748,013	13 %	Florida	48,815,066	14 %
Ohio	32,495,778	9 %	Ohio	27,902,362	8 %
Illinois	26,502,449	7 %	Illinois	25,599,133	7 %
Missouri	32,781,166	9 %	Missouri	25,191,575	7 %
Arizona	25,262,329	7 %	Arizona	24,466,609	7 %
New York	24,834,254	7 %	New York	22,611,938	6 %
Pennsylvania	21,782,997	6 %	Pennsylvania	21,674,160	6 %
Nebraska	13,061,667	3 %	Nebraska	13,061,667	4 %
Massachusetts	11,107,621	3 %	Massachusetts	12,308,310	3 %
West Virginia	12,094,954	3 %	West Virginia	11,706,059	3 %
California	6,680,000	2 %	California	—	0 %
Nevada	5,747,094	2 %	Nevada	5,764,439	2 %
Connecticut	5,450,000	1 %	Connecticut	5,450,000	2 %
Oregon	760,000	0 %	Oregon	820,000	0 %
Total	\$ 377,576,334	100 %	Total	\$ 355,745,305	100 %

(1) The principal balance of the loans not secured by real estate collateral are included in the jurisdiction representing the principal place of business.

**CECL Reserve**

The Company records an allowance for current expected credit losses for its loans held for investment. The allowances are deducted from the gross carrying amount of the assets to present the net carrying value of the amounts expected to be collected on such assets. The Company estimates its CECL Reserve using among other inputs, third-party valuations, and a third-party probability-weighted model that considers the likelihood of default and expected loss given default for each individual loan based on the risk profile for approximately three years after which we immediately revert to use of historical loss data.

ASC 326 requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the macroeconomic environment. The Company considers multiple datapoints and methodologies that may include likelihood of default and expected loss given default for each individual loan, valuations derived from discount cash flows ("DCF"), and other inputs including the risk rating of the loan, how recently the loan was originated compared to the measurement date, and expected prepayment, if applicable. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, and off-balance sheet credit exposures such as unfunded loan commitments.

The Company evaluates its loans on a collective (pool) basis by aggregating on the basis of similar risk characteristics as explained above. We make the judgment that loans to cannabis-related borrowers that are fully collateralized by real estate exhibit similar risk characteristics and are evaluated as a pool. Further, loans that have no real estate collateral, but are secured by other forms of collateral, including equity pledges of the borrower, and otherwise have similar characteristics as those collateralized by real estate are evaluated as a pool. All other loans are analyzed individually, either because they operate in a different industry, may have a different risk profile, or maturities that extend beyond the forecast horizon for which we are able to derive reasonable and supportable forecasts.

Estimating the CECL Reserve also requires significant judgment with respect to various factors, including (i) the appropriate historical loan loss reference data, (ii) the expected timing of loan repayments, (iii) calibration of the likelihood of default to reflect the risk characteristics of the Company's loan portfolio, and (iv) the Company's current and future view of the macroeconomic environment. From time to time, the Company may consider loan-specific qualitative factors on certain loans to estimate its CECL Reserve, which may include (i) whether cash from the borrower's operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan, and (iii) the liquidation value of collateral. For loans where we have

12

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deemed the borrower/sponsor to be experiencing financial difficulty, we may elect to apply a practical expedient, in which the fair value of the underlying collateral is compared to the amortized cost of the loan in determining a CECL Reserve.

To estimate the historic loan losses relevant to the Company's portfolio, the Company evaluates its historical loan performance, which includes zero realized loan losses since the inception of its operations. Additionally, the Company analyzed its repayment history, noting it has limited "true" operating history, since the incorporation date of March 30, 2021. However, the Company's Sponsor and its affiliates have had operations for the past ~~three~~ four fiscal years and have made investments in similar loans that have similar characteristics including interest rate, collateral coverage, guarantees, and prepayment/make whole provisions, which fall into the pools identified above. Given the similarity of the structuring of the credit agreements for the loans in the Company's portfolio to the loans originated by its Sponsor, management considered it appropriate to consider the past repayment history of loans originated by the Sponsor and its affiliates in determining the extent to which a CECL Reserve shall be recorded.

In addition, the Company reviews each loan on a quarterly basis and evaluates the borrower's ability to pay the monthly interest and principal, if required, as well as the loan-to-value (LTV) ratio. When evaluating qualitative factors that may indicate the need for a CECL Reserve, the Company forecasts losses considering a variety of factors. In considering the potential current expected credit loss, the Manager primarily considers significant inputs to the Company's forecasting methods, which include (i) key loan-specific inputs such as the value of the real estate collateral, liens on equity (including the equity in the entity that holds the state-issued license to cultivate, process, distribute, or retail cannabis), presence of personal or corporate guarantees, among other credit enhancements, LTV ratio, rate type (fixed or floating) and IRR, loan-term, geographic location, and expected timing and amount of future loan fundings, (ii) performance against the underwritten business plan and the Company's internal loan risk rating, and (iii) a macro-economic forecast. Estimating the enterprise value of our borrowers in order to calculate LTV ratios is often a significant estimate. The Manager utilizes a third-party valuation appraiser to assist with the Company's valuation process primarily using comparable transactions to estimate enterprise value of its portfolio companies and supplement such analysis with a multiple-based approach to enterprise value to revenue multiples of publicly-traded comparable companies obtained from S&P Capital IQ as of ~~September 30, 2023~~ March 31, 2024, to which the Manager may apply a private company discount based on the Company's current borrower profile.

During the three-month period ended ~~September 30, 2023~~ March 31, 2024, the Company observed that valuation multiples of publicly traded companies in the industry improved as a result of macro-economic factors. Such factors include, but are not limited to, expectations surrounding future interest rate ~~hikes~~ changes by the Federal Reserve and public announcements about proposed regulatory reform relating to a potential rescheduling of cannabis at the federal level. Management contemplates the impacts of these macro-economic factors during the forecast period when determining enterprise value and ultimately, the CECL reserve. Estimates may change in future periods based on available future macro-economic data and might result in a material change in the Company's future estimates of expected credit losses for its loan portfolio.

Regarding real estate collateral, the Company generally cannot take the position of mortgagee-in-possession as long as the property is used by a cannabis operator, but it can request that the court appoint a receiver to manage and operate the subject real property until the foreclosure proceedings are completed. Additionally, while the Company cannot foreclose under state Uniform Commercial Code ("UCC") and take title or sell equity in a licensed cannabis business, a potential purchaser of a delinquent or defaulted loan could.

In order to estimate the future expected loan losses relevant to the Company's portfolio, the Company utilizes historical market loan loss data obtained from a third-party database for commercial real estate loans, which the Company believes is a reasonably comparable and available data set to use as an input for its type of loans. The Company believes this dataset to be representative for future credit losses whilst considering that the cannabis industry is maturing, and consumer adoption, demand for production, and retail capacity are increasing akin to commercial real estate over time. For periods beyond the reasonable and supportable forecast period, the Company reverts back to historical loss data.

All of the above assumptions, although made with the most available information at the time of the estimate, are subjective and actual activity may not follow the estimated schedule. These assumptions impact the future balances that the loss rate will be applied to and as such impact the Company's CECL Reserve. As the Company acquires new loans and the Manager monitors loan and borrower performance, these estimates will be revised each period.

Activity related to the CECL Reserve for outstanding balances and unfunded commitments on the Company's loans held at carrying value and loans receivable at carrying value as of and for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is presented in the table below.

	<b>Outstanding<sup>(1)</sup></b>	<b>Unfunded<sup>(2)</sup></b>	<b>Total</b>
<b>Balance at December 31, 2022</b>	<b>\$ 3,940,939</b>	<b>\$ 94,415</b>	<b>\$ 4,035,354</b>
Provision for current expected credit losses	1,171,256	22,623	1,193,880
<b>Balance at September 30, 2023</b>	<b>\$ 5,112,195</b>	<b>\$ 117,038</b>	<b>\$ 5,229,234</b>

	<b>Outstanding</b>	<b>Unfunded</b>	<b>Total</b>
<b>Balance at December 31, 2023</b>	<b>\$ 4,972,647</b>	<b>\$ 3,092</b>	<b>\$ 4,975,739</b>
Provision (reversal) for current expected credit losses	383,371	(3,092)	380,279
<b>Balance at March 31, 2024</b>	<b>\$ 5,356,018</b>	<b>\$ -</b>	<b>\$ 5,356,018</b>

	<b>Outstanding<sup>(1)</sup></b>	<b>Unfunded<sup>(2)</sup></b>	<b>Total</b>
<b>Balance at December 31, 2021</b>	<b>\$ 134,542</b>	<b>\$ 13,407</b>	<b>\$ 147,949</b>
Provision for current expected credit losses	1,363,391	40,501	1,403,892
<b>Balance at September 30, 2022</b>	<b>\$ 1,497,933</b>	<b>\$ 53,908</b>	<b>\$ 1,551,841</b>

13

(1) As of September 30, 2023 and December 31, 2022, the CECL Reserve related to outstanding balances on loans at carrying value is recorded within current expected credit loss reserve in the Company's consolidated balance sheets.

(2) As of September 30, 2023 and December 31, 2022, the CECL Reserve related to unfunded commitments on loans at carrying value is recorded within accounts payable and other liabilities in the Company's consolidated balance sheets.

	<b>Outstanding</b>	<b>Unfunded</b>	<b>Total</b>
<b>Balance at December 31, 2022</b>	<b>\$ 3,940,939</b>	<b>\$ 94,415</b>	<b>\$ 4,035,354</b>
Provision (reversal) for current expected credit losses	110,995	(14,876)	96,119
<b>Balance at March 31, 2023</b>	<b>\$ 4,051,934</b>	<b>\$ 79,539</b>	<b>\$ 4,131,473</b>

The Company has made an accounting policy election to exclude accrued interest receivable (\$2,226,902 and \$1,204,412 as of September 30, 2023 and December 31, 2022, respectively) included in Interest Receivable on its consolidated balance sheet, from the amortized cost basis of the related loans held for investment in determining the CECL Reserve, as any uncollectible accrued interest receivable is written off in a timely manner. To date, the Company has had zero write-offs related to uncollectible interest receivable, but will discontinue accrual of interest on loans if deemed to be uncollectible, with any previously accrued uncollected interest on the loan charged to interest income in the same period. For the **one** **loan** **two** **loans** on non-accrual, the Company ceased accruing interest on the first date of delinquency, based on expectation of its ability to collect all amounts then due from the borrower. As a result, there was no accrued interest to write-off when the loan was placed on **non-accrual** **non-accrual** status.

#### 4. INTEREST RECEIVABLE

The following table summarizes the interest receivable by the Company as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

Interest receivable  
Unused fees receivable  
**Total interest receivable**

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Interest receivable	\$ 2,195,375	\$ 1,203,330	\$ 895,852	\$ 973,140
Unused fees receivable	31,527	1,082	31,000	31,000
<b>Total interest receivable</b>	<b>\$ 2,226,902</b>	<b>\$ 1,204,412</b>	<b>\$ 926,852</b>	<b>\$ 1,004,140</b>

The following table presents aging analyses of past due loans by class as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively:

	As of September 30, 2023							As of March 31, 2024											
	Current Loans <sup>(1)</sup>	31-60 Days Past Due		61-90 Days Past Due		90+ Days Past Due (and accruing)		Non- Accrual <sup>(2)</sup>	Total Past Due	Total Loans	31- 60 Days Past Due		61- 90 Days Past Due		90+ Days Past Due (and accruing)		Total Past Due	Total Loans	Non- Accrual <sup>(2)</sup>
		Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due				Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due			
Interest receivable	\$ 1,940,419	\$ 269,710	\$ 16,773	\$ -	\$ -	\$ 286,483	\$ 2,226,902				\$ 926,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 926,852	\$ -	
<b>Total</b>	<b>\$ 1,940,419</b>	<b>\$ 269,710</b>	<b>\$ 16,773</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 286,483</b>	<b>\$ 2,226,902</b>				<b>\$ 926,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 926,852</b>	<b>\$ -</b>	

	As of December 31, 2022									
	Current Loans <sup>(1)</sup>	31-60 Days Past Due		61-90 Days Past Due		90+ Days Past Due (and accruing)		Non- Accrual	Total Past Due	Total Loans
		Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due			
Interest receivable	\$ 1,203,088	\$ 1,324	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 1,324	\$ 1,204,412
<b>Total</b>	<b>\$ 1,203,088</b>	<b>\$ 1,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 1,324</b>	<b>\$ 1,204,412</b>

(1) Loans 1-30 days past due are included in the current loans. Amounts are presented on a gross and net basis, including the effects of any interest reserves for non-accrual loans.

(2) On May 1, 2023, Loan #9 was placed on non-accrual status with an outstanding principal amount of approximately \$16.3 million. For the period from May 1, 2023, through September 30, 2023, the Company ceased the accrual and recognition of all interest. As of September 30, 2023, Loan #9 has principal greater than 90 days past due, however there is \$0 of accrued interest receivable relating to Loan #9.

	As of December 31, 2023									
	Current Loans <sup>(1)</sup>	31-60 Days Past Due		61-90 Days Past Due		90+ Days Past Due (and accruing)		Non- Accrual <sup>(2)</sup>	Total Past Due	Total Loans
		Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due	Current Loans <sup>(1)</sup>	Days Past Due			
Interest receivable	\$ 838,537	\$ 62,189	\$ 66,335	\$ 37,079	\$ 165,603	\$ 1,004,140	\$ 165,603			
<b>Total</b>	<b>\$ 838,537</b>	<b>\$ 62,189</b>	<b>\$ 66,335</b>	<b>\$ 37,079</b>	<b>\$ 165,603</b>	<b>\$ 1,004,140</b>	<b>\$ 165,603</b>			

(1) Loans 1-30 days past due are included in the current loans. Amounts are presented on a gross and net basis, including the effects of any interest reserves for non-accrual loans.

(2) On May 1, 2023, Loan #9 was placed on non-accrual status with an outstanding principal amount of approximately \$16.3 million. As of March 31, 2024, Loan #9 has principal greater than 90 days past due, however there is \$0 of accrued interest receivable relating to Loan #9.

## 5. INTEREST RESERVE

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had two loans and three one loans, respectively, that included a prepaid interest reserve.

The following table presents changes in interest reserves as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively:

	As of September 30, 2023		As of December 31, 2022	
	Beginning reserves	New reserves	Reserves disbursed	Ending reserve
Beginning reserves	\$ 1,868,193			\$ 6,636,553
New reserves	1,007,910			9,049,834
Reserves disbursed	(2,377,839)			(13,818,194)
<b>Ending reserve</b>	<b>\$ 498,264</b>			<b>\$ 1,868,193</b>

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Beginning reserves	\$ 1,074,889	\$ 1,868,193
New reserves	2,032,688	2,238,348
Reserves disbursed	(587,706)	(3,031,652)
<b>Ending reserve</b>	<b>\$ 2,519,871</b>	<b>\$ 1,074,889</b>

## 6. DEBT

In May 2021, in connection with the Company's acquisition of its wholly-owned financing subsidiary, CAL, the Company was assigned a secured The Company's revolving credit facility (the "Revolving Loan"). The Revolving Loan had an original aggregate borrowing base of up to \$10,000,000 \$10,000,000 and bore interest, payable in cash in arrears, at a per annum rate equal to the greater of (x) Prime Rate plus 1.00%1.00% and (y) 4.75%4.75%. The Company incurred debt issuance costs of \$100,000 \$100,000 related to the origination of the Revolving Loan, which were capitalized and are subsequently being amortized through maturity. The maturity date of the Revolving Loan was the earlier of (i) February 12, 2023 and (ii) the date on which the Revolving Loan is terminated pursuant to terms in the Revolving Loan Agreement.

On December 16, 2021, CAL entered into an amended and restated Revolving Loan agreement (the "First Amendment and Restatement"). The First Amendment and Restatement increased the loan commitment from \$10,000,000 to \$45,000,000 and decreased the interest rate, from the greater of the (1) Prime Rate plus 1.00% and (2) 4.75% to the greater of (1) the Prime Rate plus the applicable margin and (2) 3.25%. The applicable margin is derived from a floating rate grid based upon the ratio of debt to equity of CAL and increases from 0% at a ratio of 0.25 to 1 to 1.25% at a ratio of 1.5 to 1. The First Amendment and Restatement also extended the maturity date from February 12, 2023 to the earlier of (i) December 16, 2023 and (ii) the date on which the Revolving Loan is terminated pursuant to the terms of the Revolving Loan agreement. The Company has the option to extend the initial term for an additional one-year term, provided no events of default exist and the Company provides the required notice of the extension pursuant to the First Amendment and Restatement. The Company incurred debt issuance costs of \$859,500 related to the First Amendment and Restatement, which were capitalized and are subsequently being amortized through maturity.

On May 12, 2022, CAL entered into a second amended and restated Revolving Loan agreement (the "Second Amendment and Restatement"). The Second Amendment and Restatement increased the loan commitment from \$45,000,000 to \$65,000,000. No other material terms of the Revolving Loan were modified as a result of the execution of the Second Amendment and Restatement. The Company incurred debt issuance costs of \$177,261 related to the Second Amendment and Restatement, which were capitalized and are subsequently amortized through maturity. The Revolving Loan incurs unused fees at a rate of 0.25% per annum which began on July 1, 2022 pursuant to the Second Amendment and Restatement.

On November 7, 2022, CAL entered into a third amended and restated Revolving Loan agreement (the "Third Amendment and Restatement"). The Third Amendment and Restatement increased the loan commitment from \$65,000,000 to \$92,500,000. No other material terms of the Revolving Loan were modified as a result of the execution of the Third Amendment and Restatement. The Company incurred debt issuance costs of \$323,779 related to the Third Amendment and Restatement, which were capitalized and are subsequently being amortized through maturity.

On February 27, 2023, CAL entered into an amendment to the Third Amendment and Restatement (the "Amendment"). The Amendment extended the contractual maturity date of the Revolving Loan until December 16, 2024 and the Company retained its option to extend the initial term for an additional one-year period, provided no events of default exist and the Company provides 365 days' notice of the extension pursuant to the Amendment. No other material terms of the Revolving Loan were modified as a result of the execution of the Amendment. The Company incurred debt issuance costs of \$2,988 \$2,988 related to the Amendment, which were capitalized and are subsequently amortized through maturity.

On June 30, 2023, CAL entered into a Fourth Amended and Restated Loan and Security Agreement (the "Fourth Amendment and Restatement"). The Fourth Amendment and Restatement increased the loan commitment from \$92.5 million \$92.5 million to \$100.0 million \$100.0 million. No other material terms of the Revolving Loan were modified as a result of the execution of the Fourth Amendment. The Company incurred debt issuance costs of \$109,291 \$109,291 related to the Amendment, which were capitalized and are subsequently amortized through maturity.

On February 28, 2024, CAL entered into a Fifth Amended and Restated Loan and Security Agreement (the "Fifth Amendment and Restatement"). The Fifth Amendment and Restatement extended the contractual maturity date of the Revolving Loan until June 30, 2026, and expanded the existing accordion feature to permit aggregate loan commitments of up to \$150.0 million. No other material terms of the Revolving Loan were modified as a result of the execution of the Fifth Amendment and Restatement. The Company incurred debt issuance costs of approximately \$0.1 million related to the Fifth Amendment and Restatement, which were capitalized and will subsequently be amortized through maturity.

The Revolving Loan provides for certain affirmative covenants, including requiring us to deliver financial information and any notices of default, and conducting business in the normal course. Additionally, the Company must comply with certain financial covenants including: (1) maximum capital expenditures of \$150,000 \$150,000; (2) maintaining a debt service coverage ratio greater than 1.35 to 1, and (3) maintaining a leverage ratio less than 1.50 to 1. As of September 30, 2023 March 31, 2024, the Company is in compliance with all financial covenants with respect to the Revolving Loan.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, unamortized debt issuance costs related to the Revolving Loan, including all amendments and amendments and restatements thereto, as applicable, of **\$516,261** **\$325,415** and **\$805,596**, **\$366,592**, respectively, are recorded in other receivables and assets, net on the consolidated balance sheets.

As of **and for the nine months ended September 30, 2023** **March 31, 2024**, the Company had net borrowings of **\$5.0 million** **\$81.3 million** against the Revolving Loan. As of **September 30, 2023** **March 31, 2024**, the Company had **\$37.0 million** **\$18.7 million** available under the Revolving Loan. Additionally, as of **September 30, 2023** **March 31, 2024**, **\$176.9 million** **\$160.2 million** of loans held for investment, at principal, are pledged as collateral in the borrowing base of the Revolving Loan.

The following table reflects a summary of interest expense incurred during the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**.

	Three months ended	Three months ended	Nine months ended	Nine months ended	Three months ended March 31,
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
Cash interest expense	\$ 1,276,292	\$ 715,132	\$ 3,588,712	\$ 991,694	
Interest expense					2024 2023
Unused fee expense	26,174	7,667	67,875	11,834	\$ 2,007,050 \$ 1,440,992
Amortization of deferred financing costs	146,677	138,549	405,778	379,644	
Amortization of debt issuance costs					90,915 167,304
<b>Total interest expense</b>	<b>\$ 1,449,143</b>	<b>\$ 861,348</b>	<b>\$ 4,062,365</b>	<b>\$ 1,383,172</b>	<b>\$ 2,104,050 \$ 1,618,296</b>

## 7. RELATED PARTY TRANSACTIONS

### Management Agreement

#### Management Agreement

Pursuant to the Management Agreement, the Manager manages the loans and day-to-day operations of the Company, subject at all times to the further terms and conditions set forth in the Management Agreement and such further limitations or parameters as may be imposed from time to time by the Company's Board.

The initial term of our Management Agreement is for three years and shall continue until May 1, 2024. After the initial term, our Management Agreement shall automatically renew every year for an additional one-year period, unless we or our Manager elect not to renew. Our Management Agreement may be terminated by us or our Manager under certain specified circumstances. On April 30, 2024, the Management Agreement was automatically renewed.

The Manager is entitled to receive base management fees (the "Base Management Fee") that are calculated and payable quarterly in arrears, in an amount equal to 0.375% of the Company's Equity, determined as of the last day of each such quarter; reduced by an amount equal to 50% of the pro rata amount of origination fees earned and paid to the Manager during the applicable quarter for loans that were originated on the Company's behalf by the Manager or affiliates of the Manager ("Outside Fees"). For the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2023**, the Base Management Fee payable was reduced by Outside Fees in the amount of **\$50,16,071** and **\$130,000, \$5,000**, respectively. For the three **and nine** months ended **September 30, 2022**, the Base Management Fee payable was reduced by Outside Fees in the amount of **\$192,751** and **\$1,275,001**, respectively.

In addition to the Base Management Fee, the Manager is entitled to receive incentive compensation (the "Incentive Compensation" or "Incentive Fees") under the Management Agreement. Under the Management Agreement, the Company will pay Incentive Fees to the Manager based upon the Company's achievement of targeted levels of Core Earnings. "Core Earnings" is defined in the Management Agreement as, for a given period, the net income (loss) for such period, computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between the Manager and the members of the Compensation Committee of the Board, each of whom are Independent Directors, and approved by a majority of the members of the Compensation Committee. Incentive compensation for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2023** was **\$545,966** **\$696,504** and **\$2,532,026** respectively. Incentive compensation for the three **and nine** months ended **September 30, 2022** was **\$519,223** and **\$1,500,129, \$1,111,206** respectively.

The Company shall pay all of its costs and expenses and shall reimburse the Manager or its affiliates for expenses of the Manager and its affiliates paid or incurred on behalf of the Company, excepting only those expenses that are specifically the responsibility of the Manager pursuant to the Management Agreement. We reimburse our Manager or its affiliates, as applicable, for the Company's fair and equitable allocable share of the compensation, including annual base salary, bonus, any related withholding taxes and employee benefits, paid to (i) subject to review by the Compensation Committee of the Board, the Manager's personnel serving as an officer of the Company, based on the percentage of his or her time spent devoted to the Company's affairs and (ii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance, and other non-investment personnel of the Manager and its affiliates who spend all or a portion of their time managing the Company's affairs, with the allocable share of the compensation of such personnel described in this clause (ii) being as reasonably determined by the Manager to appropriately reflect the amount of time spent devoted by such personnel to our affairs.

The following table summarizes the related party fees and expenses incurred by the Company and amounts payable to the Manager for the three and nine months ended

September 30, 2023 March 31, 2024 and 2022, 2023.

Affiliate Payments	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023		2023		2024	
	2023	2022	2023	2022	2024	2023
Management fees earned	\$ 1,055,421	\$ 1,020,949	\$ 3,137,033	\$ 3,041,359	\$ 1,074,308	\$ 1,031,799
Less: Outside Fees earned	-	(192,751)	(130,000)	(1,275,001)	(16,071)	(5,000)
Base management fees, net	1,055,421	828,198	3,007,033	1,766,358	1,058,237	1,026,799
Incentive fees	545,966	519,223	2,532,026	1,500,129	696,504	1,111,206
Total management and incentive fees earned	1,601,387	1,347,421	5,539,059	3,266,487	1,754,741	2,138,005
General and administrative expenses reimbursable to Manager	1,144,907	980,949	3,533,493	2,132,419	1,237,790	1,176,376
<b>Total</b>	<b>\$ 2,746,294</b>	<b>\$ 2,328,370</b>	<b>\$ 9,072,552</b>	<b>\$ 5,398,906</b>	<b>\$ 2,992,531</b>	<b>\$ 3,314,381</b>

General administrative expenses reimbursable to the Manager are included in the related party payable line item of the consolidated balance sheets as of September 30,

2023 March 31, 2024 and December 31, 2022 December 31, 2023. Total amounts payable to the Manager as of September 30, 2023 March 31, 2024 and December 31, 2022

December 31, 2023 were approximately \$3.3 million \$3.6 million and \$4.7 million, \$5.3 million, respectively, which included bonuses accrued of \$0.8 million \$0.8 million and \$1.2 million which are not reimbursed to until paid in cash by the Manager until paid. Manager.

#### Co-Investment in Loans

From time to time, the Company may co-invest with other investment vehicles managed by its affiliates, in accordance with the Manager's co-investment allocation policies. The Company is not obligated to provide, nor has it provided, any financial support to the other managed investment vehicles. As such, the Company's risk is limited to the carrying value of its investment in any such loan. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 2021 and 2020 of the Company's loans were co-invested by affiliates of the Company, respectively.

In connection Certain syndicated co-investments originated by affiliates of the Manager may include other consideration, generally in the form of warrants or other equity interests. Prior to, or concurrent with, investments in loans, the origination of the investment, the Company may receive the option elect to assign the right (the "Assigned Right") to acquire warrants and/or the equity of the borrower. The Company may sell the Assigned Right, and the sale may be consideration to an affiliate, in exchange for an additional upfront fee in an amount equal to the fair value of the Company. The proceeds from the sale of Assigned Rights are accounted for as additional original issue discount and accreted over the life of the related loans. During the nine months ended September 30, 2023, the Company sold an Assigned Right amounting to \$237,885, equity consideration on a pro-rata basis. There were no sales of Assigned Rights for the nine months three month periods ended September 30, 2022, March 31, 2024 and 2023.

#### Loan transactions with related parties

On January 24, 2023, the Company purchased a senior secured loan from an affiliate under common control with our Manager. The purchase price of approximately \$19.3 million \$19.3 million was approved by the audit committee of the Board. The fair value approximated the carrying value of the loan of \$19.0 million, \$19.0 million, plus accrued and unpaid interest through the purchase date of \$0.3 million, \$0.3 million.

On March 31, 2023, the Company sold a senior secured loan to a syndicate of co-lenders, including a third party and two affiliates under common control with our Manager. The total selling price of approximately \$14.2 million \$14.2 million was approved by the audit committee of the Board. The fair value approximated the carrying value of the loan of \$13.4 million \$13.4 million plus accrued unpaid interest of \$0.8 million \$0.8 million through the sale date.

#### **Loan held for investment – related party**

As of May 1, 2023, Loan #9 was placed on non-accrual status for borrower's breach of certain non-financial covenants and obligations under the loan agreement. The borrower subsequently failed to make contractual principal and interest payments due for the months of May and June 2023. On June 20, 2023, the Administrative Agent to Loan #9 (the "Agent", a related party) issued an acceleration notice notifying the borrower of the Agent's intention to exercise all rights and remedies under the credit documents and requested immediate payment of all amounts outstanding thereunder on behalf of the lenders.

The Agent subsequently pursued a Uniform Commercial Code ("UCC") sale of the membership interests of the borrower's subsidiaries which were pledged as collateral. On August 10, 2023, the Agent was the highest bidder in a public auction of the membership interests and took ownership of the membership interests. The Agent intends to sell the assets in satisfaction of the loan for the benefit of the lenders.

As described in Note 3, Loan #9 remains on non-accrual status and the Company will continue to cease further recognition of income until such events of default are cured or obligations are repaid. As of **September 30, 2023** **March 31, 2024**, Loan #9 is held on the consolidated balance sheet as a loan held for investment – related party with a carrying value of approximately **\$16.3 million**. **\$16.5 million**.

#### **8. COMMITMENTS AND CONTINGENCIES**

##### **Off-Balance Sheet Arrangements**

Off-balance sheet commitments may consist of unfunded commitments on delayed draw term loans. The Company does not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose entities, or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, the Company has not guaranteed any obligations of unconsolidated entities or entered into any commitment to provide additional funding to any such entities. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had the following unfunded commitments on existing loans.

17

	As of March 31,	As of December 31,
	2024	2023
Total original loan commitments	\$ 401,257,040	\$ 378,849,998
Less: drawn commitments	\$ (401,257,040)	\$ (371,349,998)
<b>Total undrawn commitments</b>	<b>\$ —</b>	<b>\$ 7,500,000</b>
	As of September 30, 2023	As of December 31, 2022
Total original loan commitments	\$ 355,941,661	\$ 351,367,706
Less: drawn commitments	(344,737,661)	(336,323,706)
<b>Total undrawn commitments</b>	<b>\$ 11,204,000</b>	<b>\$ 15,044,000</b>

Refer to "Note 3 - Loans Held for Investment, Net" for further information regarding the CECL Reserve attributed to unfunded commitments. Total original loan commitments includes the impact of principal payments received since origination of the loan and future amounts to be advanced at sole discretion of the lender.

The following table summarizes our material commitments as of **September 30, 2023** **March 31, 2024**:

	Commitments due by period						
	2023	2024	2025	2026	2027	Thereafter	Total
Undrawn commitment	\$ -	\$ 7,000,000	\$ 204,000	\$ 4,000,000	\$ -	\$ -	\$ 11,204,000
Revolving loan	-	63,000,000	-	-	-	-	63,000,000
<b>Total</b>	<b>\$ —</b>	<b>\$ 70,000,000</b>	<b>\$ 204,000</b>	<b>\$ 4,000,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 74,204,000</b>
	Total	2024	2025	2026	2027	2028	Thereafter
Undrawn commitments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revolving loan (1)	81,250,000	-	-	-	81,250,000	-	-
<b>Total</b>	<b>\$ 81,250,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 81,250,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

##### **Other Contingencies**

The Company from time to time may be a party to litigation in the normal course of business. As of **September 30, 2023** **March 31, 2024**, the Company is not aware of any legal claims that could materially impact its business, financial condition, or results of operations.

The Company's ability to grow or maintain its business depends, in part, on state laws pertaining to the cannabis industry. New laws that are adverse to the Company's portfolio companies may be enacted, and current favorable state or national laws or enforcement guidelines relating to cultivation, production, and distribution of cannabis may be modified or eliminated in the future, which would impede the Company's ability to grow and could materially and adversely affect its business.

Management's plan to mitigate risks include monitoring the legal landscape as deemed appropriate. Also, should a loan default or otherwise be seized, the Company may be prohibited from owning cannabis assets and thus could not take possession of collateral, in which case the Company would look to sell the loan, provide consent to allow the borrower to sell the real estate to a third party, institute a foreclosure proceeding to have the real estate sold or evict the tenant, have the cannabis operations removed from the property and take title to the underlying real estate, each of which may result in the Company realizing a loss on the transaction.

## 9. STOCKHOLDERS' EQUITY

### Common Stock

On January 5, 2022, the underwriters of the Company's initial public offering (the "IPO") partially exercised their over-allotment option to purchase 302,800 shares of the Company's common stock at a price of \$16.00 per share, raising \$4,844,800 in additional gross proceeds or \$4,505,664 in net proceeds after underwriting commissions of \$339,136, which is reflected as a reduction of additional paid-in capital on the consolidated statements of stockholders' equity.

On February 15, 2023, the Company completed a registered direct offering of 395,779 shares of common stock at a price of \$15.16 per share, raising net proceeds of approximately \$6.0 million. The Company sold shares of common stock directly, without the use of underwriters or placement agents, to institutional investors registered pursuant to its effective shelf registration statement.

### Equity Incentive Plan

The Company has established an equity incentive compensation plan (the "2021 Plan"). The Board authorized the adoption of the 2021 Plan and the Compensation Committee of the Board approved restricted stock award grants of 98,440 shares of common stock during the quarter ended December 31, 2021. The Compensation Committee appointed by the Board administers the 2021 Plan. The 2021 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses, stock units, and other forms of awards granted or denominated in the Company's common stock. The 2021 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be structured to be paid or settled in cash. The Company has and currently intends to continue to grant restricted stock awards to participants in the 2021 Plan, but it may also grant any other type of award available under the 2021 Plan in the future. Persons eligible to receive awards under the 2021 Plan include the Company's officers and employees of the Manager and its affiliates or officers and employees of the Company's subsidiaries, if any, the members of the Board, and certain consultants and other service providers.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the maximum number of shares of the Company's common stock that may be delivered pursuant to awards under the 2021 Plan (the "Share Limit") equals 8.50% 8.50% of the issued and outstanding shares of the Company's common stock on a fully-diluted basis following the completion of the IPO. Shares that are subject to or underlie awards that expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2021 Plan will not be counted against the Share Limit and will again be available for subsequent awards under the 2021 Plan.

On December 31, 2022, restricted stock award grants of 24,880 shares of common stock were granted to members of the Board. Pursuant to each respective award agreement, the restricted stock awards ("RSA's") vest annually in equal installments over a three-year period beginning on the first anniversary of the date of the grant. Upon vesting, the vested restricted stock awards are exchanged for an equal number of the Company's common stock.

For the period from January 1, 2023 to September 30, 2023, restricted stock award grants of 323,452 were granted to employees of our Manager, respectively. Pursuant to the respective award agreements, the RSA's vest annually in equal installments over a three-year period beginning on the first anniversary of the date of the grant. Upon vesting, the vested restricted stock awards are exchanged for an equal number of the Company's common stock.

There were **1,1470** and **13,438417** shares forfeited during the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively. As individual awards and options become fully vested, stock-based compensation expense is adjusted to recognize actual forfeitures.

Shares that are exchanged by a participant or withheld by the Company as full or partial payment in connection with any award granted under the 2021 Plan, as well as any shares exchanged by a participant or withheld by the Company to satisfy tax withholding obligations related to any award granted under the 2021 Plan, will not be counted against the Share Limit and will again be available for subsequent awards under the 2021 Plan. To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the Share Limit and will again be available for subsequent awards under the 2021 Plan.

Based on the closing market price of our common stock on **September 30, 2023** **March 31, 2024** and **December 31, 2023**, the aggregate intrinsic value of our restricted stock awards was as follows:

	As of September 30, 2023	
	Outstanding	Vested
Aggregate intrinsic value	\$ 5,632,476	\$ 705,956
	As of March 31, 2024	
	Outstanding	Vested
Aggregate intrinsic value	\$ 5,677,200	\$ 1,073,937
	As of December 31, 2023	
	Outstanding	Vested
	\$ 5,525,370	\$ 937,068

The following table summarizes the restricted stock activity for the Company's directors and officers and employees of the Manager during the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**.

	Nine months ended September 30, 2023	Grant Date Fair Value per Share	Weighted Average
			Three months ended March 31, 2024
Balance at December 31, 2022	80,984	\$ 15.71	
Granted	323,452	\$ 14.75	
Vested	(20,648)	\$ 16.00	
Forfeited	(1,147)	\$ 16.00	
<b>Balance at September 30, 2023</b>	<b>382,641</b>	<b>\$ 14.88</b>	

	Nine months ended September 30, 2023	Grant Date Fair Value per Share	Weighted Average
			Three months ended March 31, 2024
Balance at December 31, 2023	366,647	\$ 14.86	
Vested	(6,647)	\$ 16.00	
<b>Unvested Balance at March 31, 2024</b>	<b>360,000</b>	<b>\$ 14.84</b>	

	Nine months ended September 30, 2022	Grant Date Fair Value per Share	Weighted Average
			Three months ended March 31, 2023
Balance at December 31, 2021	98,440	\$ 16.00	
Balance at December 31, 2022	80,984	\$ 15.71	
Vested	-	\$ 16.00	
Forfeited	(13,438)	\$ 16.00	
<b>Unvested Balance at September 30, 2022</b>	<b>85,002</b>	<b>\$ 16.00</b>	
<b>Unvested Balance at March 31, 2023</b>	<b>73,615</b>	<b>\$ 15.68</b>	

Restricted stock compensation expense is based on the Company's stock price at the date of the grant and is amortized over the vesting period. Forfeitures are recognized as they occur. The share-based compensation expense for the Company was **\$942,605** **\$531,293** and **\$328,356** **\$138,335** for the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively. The unamortized share-based compensation expense for the Company was approximately **\$5,067,401** **\$4.0 million** and **\$1,078,216** **\$1.1 million** as of **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively, which the Company expects to recognize over the remaining weighted-average term of **2.51.9** years.



#### At-the-Market Offering Program ("ATM" ATM Program)

On June 20, 2023, the Company entered into an At-the-Market Sales Agreement (the "Sales Agreement") with BTIG, LLC, Compass Point Research & Trading, LLC and Oppenheimer & Co. Inc. (each a "Sales Agent" and together the "Sales Agents") under which the Company may, from time to time, offer and sell shares of common stock, having an aggregate offering price of up to **\$75.0 million**. Under the terms of the Sales Agreement, the Company has agreed to pay the Sales Agents a commission of up to **3.0%** of the gross proceeds from each sale of common stock sold through the Sales Agents. Sales of common stock, if any, may be made in transactions that are deemed to be "at-the-market" offerings, as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended (the "Securities Act").

During the quarter ended **June 30, 2023** **March 31, 2024**, the Company sold an aggregate of **79,862,896,443** shares of the Company's common stock under the Sales Agreement at an **weighted average price of \$15.78** **\$15.93** per share, generating net proceeds of approximately **\$1.2** million. During the quarter ended September 30, 2023, the Company did not sell shares of its common stock under the Sales Agreement. **\$13.9** million.

As of **September 30, 2023** **March 31, 2024**, the shares of common stock sold pursuant to the registered direct offering in February 2023 and under the ATM Program are the only offerings that have been initiated under the Shelf Registration Statement.

#### 10. EARNINGS PER SHARE

The following information sets forth the computations of basic earnings per common share for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively:

	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	\$ 9,976,998	\$ 9,768,969	\$ 29,312,725	\$ 25,036,760	\$ 8,730,003	\$ 10,692,349
Net income attributable to common stockholders						
Divided by:						
Basic weighted average shares of common stock outstanding	18,175,467	17,657,913	18,052,293	17,652,367	18,273,919	17,879,444
Diluted weighted average shares of common stock outstanding	18,562,930	17,752,290	18,269,171	17,747,612	18,640,492	17,960,103
<b>Basic earnings per common share</b>	<b>\$ 0.55</b>	<b>\$ 0.55</b>	<b>\$ 1.62</b>	<b>\$ 1.42</b>	<b>\$ 0.48</b>	<b>\$ 0.60</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.54</b>	<b>\$ 0.55</b>	<b>\$ 1.60</b>	<b>\$ 1.41</b>	<b>\$ 0.47</b>	<b>\$ 0.60</b>

There were no anti-dilutive shares excluded from the computations of earnings per common share for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**.

#### 11. INCOME TAX

To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually to our stockholders at least 90% of our REIT taxable income prior to the deduction for dividends paid. To the extent that we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of 1) 85% of our ordinary income for the calendar year, 2) 95% of our capital gain net income for the calendar year, and 3) any undistributed shortfall from our prior calendar year (the "Required Distribution") to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. Our stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that our estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, we will accrue excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense, if any, is included in the line item, income tax expense. For the three months ended March 31, 2024 and 2023, we did not incur excise tax expense.

As of March 31, 2024 and December 31, 2023, the Company does not have any unrecognized tax benefits.

#### 12. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of fair value information about financial and nonfinancial assets and liabilities, whether or not recognized in the financial statements, for which it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based upon the application of discount rates to estimated future cash flows using market yields, or other valuation methodologies. Any changes to the valuation methodology will be reviewed by the Company's management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Company anticipates that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value

of certain financial and nonfinancial assets and liabilities could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may fall within periods of market dislocation, during which price transparency may be reduced.

#### Recurring Fair Value Measurements

There were no financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2024. The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2023:

20

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt securities, at fair value	\$ -	\$ 842,269	\$ -	\$ 842,269

#### Financial Assets and Liabilities Not Measured at Fair Value

As of March 31, 2024 and December 31, 2023, the carrying values and fair values of the Company's financial assets and liabilities recorded at amortized cost are as follows:

	Level in Fair Value Hierarchy	As of March 31, 2024		As of December 31, 2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Loans held for investment	3	\$ 375,844,314	\$ 373,256,778	\$ 353,640,610	\$ 351,952,876
Cash and cash equivalents	1	6,904,113	6,904,113	7,898,040	7,898,040
Interest receivable	2	926,852	926,852	1,004,140	1,004,140
Other receivables and assets, net	2	5,143,318	5,143,318	705,960	705,960
Related party receivables	2	192,354	192,354	107,225	107,225
Financial liabilities:					
Revolving loan	2	\$ 81,250,000	\$ 80,863,975	\$ 66,000,000	\$ 65,633,408
Accounts payable and other liabilities	2	1,342,872	1,342,872	1,135,355	1,135,355
Interest reserve	2	2,519,871	2,519,871	1,074,889	1,074,889
Management and incentive fees payable	2	1,819,428	1,819,428	3,243,775	3,243,775
Related party payables	2	1,754,741	1,754,741	2,051,531	2,051,531
Dividend payable	2	9,007,244	9,007,244	13,866,656	13,866,656

Our loans are held for investment and are substantially secured by real estate, equipment, licenses and other assets of the borrowers to the extent permitted by the applicable laws and the regulations governing such borrowers. The aggregate fair value of the Company's loan portfolio was \$373,256,778 and \$351,952,876, with gross unrecognized holding losses of \$2,587,536 and \$1,687,734 as of March 31, 2024 and December 31, 2023, respectively. The fair values, which are classified as Level 3 in the fair value hierarchy, are estimated using discounted cash flow models based on current market inputs for similar types of arrangements. The primary sensitivity in these models is based on the selection of appropriate discount rates. Fluctuations in these assumptions could result in different estimates of fair value.

#### 13. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared during the three months ended March 31, 2024 and 2023.

	Record Date	Payment Date	Common Share Distribution	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
			Amount	Income		
Regular cash dividend	3/28/2024	4/15/2024	\$ 0.47	\$ 0.47	\$ -	\$ 0.47

Total cash dividend	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
	Common Share	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Record Date	Payment Date	Distribution Amount		
Regular cash dividend	3/31/2023	\$ 0.47	\$ 0.47	\$ -
Total cash dividend		\$ 0.47	\$ 0.47	\$ -

#### 14. SUBSEQUENT EVENTS

21

##### **Investment Activity**

During the period from April 1, 2024 to May 7, 2024, we funded approximately \$0.4 million to the borrower of Loan #18 and \$0.2 million to the borrower of Loan #21.

In April 2024, we entered into an amendment to Loan #4, which extended the maturity date to May 17, 2024. No other terms of the loan were modified in connection with this amendment.

In April 2024, we entered into an amendment to Loan #6, which extended the maturity date to May 31, 2024. No other terms of the loan were modified in connection with this amendment.

In April 2024, we entered into an amendment to Loan #3, which extended the maturity date to June 14, 2024 for the second tranche of the credit facility which has a principal balance of \$2.9 million. The remaining \$17.9 million of principal retained its original maturity date of November 29, 2024. No other terms of the loan were modified in connection with this amendment.

In April 2024, we entered into a \$6.0 million commitment with a new borrower. As of May 7, 2024, the Company has not funded this commitment.

##### **Revolving Loan**

During the period from April 1, 2024 through May 7, 2024, the Company had net paydowns of \$0.5 million on the Revolving Loan. As of May 7, 2024, outstanding borrowings and remaining availability on the Revolving Loan were \$80.8 million and \$19.2 million, respectively.

##### **Restricted Stock Awards**

On April 1, 2024, restricted stock awards of 24,054 shares and 163,280 shares were granted to members of the Board and employees of the Manager, respectively. Upon vesting pursuant to the respective award agreements, the restricted stock awards are exchanged for an equal number of shares of the Company's common stock.

##### **Payment of Dividend**

On April 15, 2024, the Company paid its regular quarterly dividend of \$0.47 per common share relating to the first quarter of 2024 to stockholders of record as of the close of business on March 28, 2024. The total amount of the cash dividend payment was approximately \$9.0 million.

22

#### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

##### **FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this quarterly report constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend such statements to be covered by the safe harbor provisions contained therein. Forward-looking statements relate to future events or the future performance or financial condition of Chicago Atlantic Real Estate Finance, Inc. (the "Company," "we," "us," and "our"). The information contained in this section should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this quarterly report on Form 10-Q. This description contains forward-looking statements that involve risks and uncertainties. Actual results could differ significantly from the results discussed in the forward-looking statements due to the factors set forth in this quarterly report and in "Risk Factors" in our annual report on Form 10-K filed with the Securities and

Exchange Commission (the "SEC") and in Part II, Item 1A of this quarterly report on Form 10-Q, as such risks may be updated, amended, or superseded from time to time by subsequent reports we file with the SEC. The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our future operating results and projected operating results;
- the ability of our Manager to locate suitable loan opportunities for us, monitor and actively manage our loan portfolio, and implement our investment strategy;
- the allocation of loan opportunities to us by our Manager;
- the impact of inflation on our operating results;
- actions and initiatives of the federal or state governments and changes to government policies related to cannabis and the execution and impact of these actions, initiative and policies, including the fact that cannabis remains illegal under federal law;
- the estimated growth in and evolving market dynamics of the cannabis market;
- the demand for cannabis cultivation and processing facilities;
- shifts in public opinion regarding cannabis;
- the state of the U.S. economy generally or in specific geographic regions;
- economic trends and economic recoveries;
- the amount and timing of our cash flows, if any, from our loans;
- our ability to obtain and maintain financing arrangements;
- our expected leverage;
- changes in the value of our loans;
- our expected investment and underwriting process;
- rates of default or decreased recovery rates on our loans;
- the degree to which any interest rate or other hedging strategies may or may not protect us from interest rate volatility;
- changes in interest rates and impacts of such changes on our results of operations, cash flows, and the market value of our loans;
- interest rate mismatches between our loans and our borrowings used to fund such loans;
- the departure of any of the executive officers or key personnel supporting and assisting us from our Manager or its affiliates;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;

23

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- our ability to maintain our exclusion or exemption from registration under the Investment Company Act;
- our ability to qualify and maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- market trends in our industry, interest rates, real estate values, the securities markets or the general economy; and
- any of the other risks, uncertainties and other factors we identify in our annual report on Form 10-K or this quarterly report on Form 10-Q.

#### Available Information

We routinely post important information for investors on our website, [www.chicagoatlantic.com](http://www.chicagoatlantic.com). We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. We encourage investors, analysts, the media, and others interested in us to monitor the Investments section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit "Contact" section of our website under "Join Our Mailing List" and enter the required information to enable notifications.

#### Overview

We are a commercial mortgage real estate investment trust. Our primary investment objective is to provide attractive, risk-adjusted returns for stockholders over time primarily through consistent current income dividends and other distributions and secondarily through capital appreciation. We intend to achieve this objective by originating, structuring and investing in first mortgage loans and alternative structured financings secured by commercial real estate properties. Our current portfolio is comprised primarily of senior loans to state-licensed operators in the cannabis industry, secured by real estate, equipment, receivables, licenses or other assets of the borrowers to the extent permitted by applicable laws and regulations governing such borrowers. We also invest in companies or properties that are not related to the cannabis industry that provide return characteristics consistent with our investment objective. We intend to grow the size of our portfolio by continuing the track record of our business and the business conducted by our Manager and its affiliates by making loans to leading operators and property owners in the cannabis industry. There is no assurance that we will achieve our investment objective.

Our Manager and its affiliates seek to originate real estate loans between \$5 million and \$200 million, generally with one- to five-year terms and amortization when terms exceed three years. We generally act as co-lenders in such transactions and intend to hold up to \$50 million of the aggregate loan amount, with the remainder to be held by affiliates or third party co-investors. We may revise such concentration limits from time to time as our loan portfolio grows. Other investment vehicles managed by our Manager or affiliates of our Manager may co-invest with us or hold positions in a loan where we have also invested, including by means of splitting commitments, participating in loans or other means of syndicating loans. We will not engage in a co-investment transaction with an affiliate where the affiliate has a senior position to the loan held by us. To the extent that an affiliate provides financing to one of our borrowers, such loans will be working capital loans or loans that are subordinate to our loans. We may also serve as co-lenders in loans originated by third parties and, in the future, we may also acquire loans or loan participations. Loans that have one to two year maturities are generally interest only loans.

Our loans are secured by real estate and, in addition, when lending to owner-operators in the cannabis industry, other collateral, such as equipment, receivables, licenses or other assets of the borrowers to the extent permitted by applicable laws and regulations. In addition, we seek to impose strict loan covenants and seek personal or corporate guarantees for additional protection. As of March 31, 2024 and December 31, 2023, 26.3% and 27.1%, respectively, of the principal of loans held in our portfolio are backed by personal or corporate guarantees. We aim to maintain a portfolio diversified across jurisdictions and across verticals, including cultivators, processors, dispensaries, as well as ancillary businesses. In addition, we may invest in borrowers that have equity securities that are publicly traded on the Canadian Stock Exchange ("CSE") in Canada and/or over-the-counter in the United States.

As of March 31, 2024, our portfolio is comprised primarily of first mortgages to established multi-state or single-state cannabis operators or property owners. We consider cannabis operators to be established if they are state-licensed and are deemed to be operational and in good standing by the applicable state regulator. We do not own any stock, warrants to purchase stock or other

24

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forms of equity in any of our portfolio companies that are involved in the cannabis industry, and we will not take stock, warrants or equity in such issuers until permitted by applicable laws and regulations, including U.S. federal laws and regulations.

We are an externally managed Maryland corporation that elected to be taxed as a REIT under Section 856 of the Code, commencing with our taxable year ended December 31, 2021. We believe that our method of operation will enable us to continue to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us continuing to satisfy numerous asset, income, and distribution tests, which in turn depend, in part, on our operating results. We also intend to operate our business in a manner that will permit us and our subsidiaries to maintain one or more exclusions or exemptions from registration under the Investment Company Act.

#### Revenues

We operate as one operating segment and are primarily focused on financing senior secured loans and other types of loans for established state-licensed operators in the cannabis industry. These loans are generally held for investment and are substantially secured by real estate, equipment, licenses and other assets of the borrowers to the extent permitted by the applicable laws and the regulations governing such borrowers.

We generate revenue primarily in the form of interest income on loans. As of March 31, 2024 and December 31, 2023, approximately 76.6% and 80.5%, respectively, of our portfolio was comprised of floating rate loans, and 23.4% and 19.5% of our portfolio was comprised of fixed rate loans, respectively. The floating rate loans described above are variable based upon the Prime Rate plus an applicable margin, and in many cases, a Prime Rate floor.

The below table reflects the changes in the Prime Rate since January 1, 2023:

Effective Date	Rate <sup>(1)</sup>
July 27, 2023	8.50 %
May 4, 2023	8.25 %
March 23, 2023	8.00 %
February 2, 2023	7.75 %

(1) Rate obtained from the Wall Street Journal's "Bonds, Rates & Yields" table.

Interest on our loans is generally payable monthly. The principal amount of our loans and any accrued but unpaid interest thereon generally become due at the applicable maturity date. In some cases, our interest income includes a paid-in-kind ("PIK") component for a portion of the total interest. The PIK interest, computed at the contractual rate specified in each applicable loan agreement, is accrued in accordance with the terms of such loan agreement and capitalized to the principal balance of the loan and recorded as interest income. The PIK interest added to the principal balance is typically amortized and paid in accordance with the applicable loan agreement. In cases where the loans do not amortize, the PIK interest is collected upon repayment of the outstanding principal. We also generate revenue from original issue discounts ("OID"), which is also recognized as interest income from loans over the initial term of the applicable loans. Delayed draw loans may earn interest or unused fees on the undrawn portion of the loan, which is recognized as interest income in the period earned. Other fees, including prepayment fees and exit fees, are also recognized as interest income when received. Any such fees will be generated in connection with our loans and recognized as earned in accordance with generally accepted accounting principles ("GAAP").

#### Expenses

Our primary operating expense is the payment of Base Management Fees and Incentive Compensation under our Management Agreement with our Manager and the allocable portion of overhead and other expenses paid or incurred on our behalf, including reimbursing our Manager for a certain portion of the compensation of certain personnel of our Manager who assist in the management of our affairs, excepting only those expenses that are specifically the responsibility of our Manager pursuant to our Management Agreement. We bear all other costs and expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- organizational and offering expenses;
- quarterly valuation expenses;
- fees payable to third parties relating to, or associated with, making loans and valuing loans (including third-party valuation firms);
- fees and expenses associated with investor relations and marketing efforts (including attendance at investment conferences and similar events);

25

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- accounting and audit fees and expenses from our independent registered public accounting firm;
- federal and state registration fees;
- any exchange listing fees;
- federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders' reports and notices; and
- costs of preparing government filings, including periodic and current reports with the SEC.

#### Income Taxes

We are a Maryland corporation that elected to be taxed as a REIT under the Code, commencing with the taxable period ended December 31, 2021. We believe that we qualify as a REIT and that our method of operation will enable us to continue to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us satisfying numerous asset, income and distribution tests which depends, in part, on our operating results.

To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually to our stockholders at least 90% of our REIT taxable income prior to the deduction for dividends paid. To the extent that we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of 1) 85% of our ordinary income for the calendar year, 2) 95% of our capital gain net income for the calendar year, and 3) any undistributed shortfall from our prior calendar year (the "Required Distribution") to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. Our stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that our estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, we will accrue excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense, if any, is included in the line item, income tax expense. For the three and nine months ended September 30, 2023 March 31, 2024, we did not incur excise tax expense. The income tax provision for the Company was \$0 for the three and nine months ended September 30, 2023.

As of September 30, 2023 and December 31, 2022, the Company does not have any unrecognized tax benefits.

## 12. FAIR VALUE MEASUREMENTS

The Company complies with the disclosure requirements in FASB ASC Topic 820-10, Fair Value Measurement ("ASC 820-10"), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure requirements for fair value measurements. ASC 820-10 determines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. ASC 820-10 specifies a hierarchy of valuation techniques based on the inputs used in measuring fair value.

In accordance with ASC 820-10, the inputs used to measure fair value are summarized in the three broad levels listed below:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3—Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used.

GAAP requires disclosure of fair value information about financial and nonfinancial assets and liabilities, whether or not recognized in the financial statements, for which it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based upon the application of discount rates to estimated future cash flows using market yields, or other valuation methodologies. Any changes to the valuation methodology will be reviewed by the Company's management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Company anticipates that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial and nonfinancial assets and liabilities could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may fall within periods of market dislocation, during which price transparency may be reduced.

### Recurring Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023:

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt securities, at fair value	\$ -	\$ 3,469,340	\$ -	\$ 3,469,340

There were no financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

### Financial Assets and Liabilities Not Measured at Fair Value

As of September 30, 2023 and December 31, 2022, the carrying values and fair values of the Company's financial assets and liabilities recorded at amortized cost are as follows:

	As of September 30, 2023			As of December 31, 2022		
	Level in Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value	
Financial assets:						
Loans held for investment	3	\$ 338,792,489	\$ 334,835,555	\$ 339,273,538	\$ 329,237,824	
Cash and cash equivalents	1	8,702,157	8,702,157	5,715,827	5,715,827	
Interest receivable	2	2,226,902	2,226,902	1,204,412	1,204,412	
Other receivables and assets, net	2	946,077	946,077	1,018,212	1,018,212	
Related party receivables	2	3,284,900	3,284,900	-	-	
Financial liabilities:						
Revolving loan	2	\$ 63,000,000	\$ 62,483,739	\$ 58,000,000	\$ 57,194,404	
Accounts payable and other liabilities	2	1,187,591	1,187,591	1,058,128	1,058,128	
Interest reserve	2	498,264	498,264	1,868,193	1,868,193	
Management and incentive fees payable	2	1,601,387	1,601,387	3,295,600	3,295,600	
Related party payables	2	1,668,783	1,668,783	1,397,515	1,397,515	
Dividend payable	2	8,568,252	8,568,252	13,618,591	13,618,591	

Our loans are held for investment and are substantially secured by real estate, equipment, licenses and other assets of the borrowers to the extent permitted by the applicable laws and the regulations governing such borrowers. The aggregate fair value of the Company's loan portfolio was \$334,835,555 and \$329,237,824, with gross unrecognized holding (losses)/gains of \$3,956,935 and \$10,035,714 as of September 30, 2023 and December 31, 2022, respectively. The fair values, which are classified as Level 3 in the fair value hierarchy, are estimated using discounted cash flow models based on current market inputs for similar types of arrangements. The primary sensitivity in these models is based on the selection of appropriate discount rates. Fluctuations in these assumptions could result in different estimates of fair value.

### 13. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared during the nine months ended September 30, 2023 and 2022.

	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2023	4/14/2023	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
Regular cash dividend	6/30/2023	7/14/2023	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
Regular cash dividend	9/29/2023	10/13/2023	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
Total cash dividend			<b>\$ 1.41</b>	<b>\$ 1.41</b>	<b>\$ -</b>	<b>\$ 1.41</b>
	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2022	4/14/2022	\$ 0.40	\$ 0.40	\$ -	\$ 0.40
Regular cash dividend	6/30/2022	7/15/2022	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
Regular cash dividend	9/30/2022	10/14/2022	\$ 0.47	\$ 0.47	\$ -	\$ 0.47
Total cash dividend			<b>\$ 1.34</b>	<b>\$ 1.34</b>	<b>\$ -</b>	<b>\$ 1.34</b>

### 14. SUBSEQUENT EVENTS

#### *Investment Activity*

During the period from October 1, 2023 through November 8, 2023, the Company funded approximately \$11.7 million of principal of which \$10.6 million and \$1.1 million were funded to existing borrowers and new borrowers, respectively.

#### *Revolving Loan*

During the period from October 1, 2023, through November 8, 2023, the Company borrowed \$11.0 million on the Revolving Loan. As of November 8, 2023, outstanding borrowings and remaining availability on the Revolving Loan were \$74.0 million and \$26.0 million, respectively.

#### *Payment of Dividend*

On October 13, 2023, the Company paid its regular quarterly dividend of \$0.47 per common share relating to the third quarter of 2023 to stockholders of record as of the close of business on September 29, 2023. The total amount of the cash dividend payment was approximately \$8.5 million.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this quarterly report constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend such statements to be covered by the safe harbor provisions contained therein. Forward-looking statements relate to future events or the future performance or financial condition of Chicago Atlantic Real Estate Finance, Inc. (the "Company," "we," "us," and "our"). The information contained in this section should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this quarterly report on Form 10-Q. This description contains forward-looking statements that involve risks and uncertainties. Actual results could differ significantly from the results discussed in the forward-looking statements due to the factors set forth in this quarterly report and in "Risk Factors" in our annual report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") and in Part II, Item 1A of this quarterly report on Form 10-Q, as such risks may be updated, amended, or superseded from time to time by subsequent reports we file with the SEC. The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our future operating results and projected operating results;
- the ability of our Manager to locate suitable loan opportunities for us, monitor and actively manage our loan portfolio, and implement our investment strategy;
- the allocation of loan opportunities to us by our Manager;
- the impact of inflation on our operating results;
- actions and initiatives of the federal or state governments and changes to government policies related to cannabis and the execution and impact of these actions, initiatives, and policies, including the fact that cannabis remains illegal under federal law;
- the estimated growth in and evolving market dynamics of the cannabis market;
- the demand for cannabis cultivation and processing facilities;
- shifts in public opinion regarding cannabis;
- the state of the U.S. economy generally or in specific geographic regions;
- economic trends and economic recoveries;
- the amount and timing of our cash flows, if any, from our loans;
- our ability to obtain and maintain financing arrangements;
- our expected leverage;
- changes in the value of our loans;
- our expected investment and underwriting process;
- rates of default or decreased recovery rates on our loans;
- the degree to which any interest rate or other hedging strategies may or may not protect us from interest rate volatility;
- changes in interest rates and impacts of such changes on our results of operations, cash flows, and the market value of our loans;
- interest rate mismatches between our loans and our borrowings used to fund such loans;

- the departure of any of the executive officers or key personnel supporting and assisting us from our Manager or its affiliates;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;
- our ability to maintain our exclusion or exemption from registration under the Investment Company Act;
- our ability to qualify and maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- market trends in our industry, interest rates, real estate values, the securities markets or the general economy; and
- any of the other risks, uncertainties and other factors we identify in our annual report on Form 10-K or this quarterly report on Form 10-Q.

#### **Available Information**

We routinely post important information for investors on our website, [www.chicagoatlantic.com](http://www.chicagoatlantic.com). We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. We encourage investors, analysts, the media, and others interested in us to monitor the Investments section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit "Contact" section of our website under "Join Our Mailing List" and enter the required information to enable notifications.

#### **Overview**

We are a commercial mortgage real estate investment trust. Our primary investment objective is to provide attractive, risk-adjusted returns for stockholders over time primarily through consistent current income dividends and other distributions and secondarily through capital appreciation. We intend to achieve this objective by originating, structuring and investing in first mortgage loans and alternative structured financings secured by commercial real estate properties. Our current portfolio is comprised primarily of senior loans to state-licensed operators in the cannabis industry, secured by real estate, equipment, receivables, licenses or other assets of the borrowers to the extent permitted by applicable laws and regulations governing such borrowers. We also invest in companies or properties that are not related to the cannabis industry that provide return characteristics consistent with our investment objective. We intend to grow the size of our portfolio by continuing the track record of our business and the business conducted by our Manager and its affiliates by making loans to leading operators and property owners in the cannabis industry. There is no assurance that we will achieve our investment objective.

Our Manager and its affiliates seek to originate real estate loans between \$5 million and \$200 million, generally with one- to five-year terms and amortization when terms exceed three years. We generally act as co-lenders in such transactions and intend to hold up to \$50 million of the aggregate loan amount, with the remainder to be held by affiliates or third party co-investors. We may revise such concentration limits from time to time as our loan portfolio grows. Other investment vehicles managed by our Manager or affiliates of our Manager may co-invest with us or hold positions in a loan where we have also invested, including by means of splitting commitments, participating in loans or other means of syndicating loans. We will not engage in a co-investment transaction with an affiliate where the affiliate has a senior position to the loan held by us. To the extent that an affiliate provides financing to one of our borrowers, such loans will be working capital loans or loans that are subordinate to our loans. We may also serve as co-lenders in loans originated by third parties and, in the future, we may also acquire loans or loan participations. Loans that have one to two year maturities are generally interest only loans.

Our loans are secured by real estate and, in addition, when lending to owner-operators in the cannabis industry, other collateral, such as equipment, receivables, licenses or other assets of the borrowers to the extent permitted by applicable laws and regulations. In addition, we seek to impose strict loan covenants and seek personal or corporate guarantees for additional protection. As of September 30, 2023 and December 31, 2022, 26.3% and 13.6%, respectively, of the principal of loans held in our portfolio are backed by personal or corporate guarantees. We aim to maintain a portfolio diversified across jurisdictions and across verticals, including cultivators, processors, dispensaries, as well as ancillary businesses. In addition, we may invest in borrowers that have equity securities that are publicly traded on the Canadian Stock Exchange ("CSE") in Canada and/or over-the-counter in the United States.

As of September 30, 2023, our portfolio is comprised primarily of first mortgages to established multi-state or single-state cannabis operators or property owners. In addition, we own approximately \$3.5 million, at fair value, of publicly-traded corporate bonds issued by a cannabis operator. We consider cannabis operators to be established if they are state-licensed and are deemed to be operational and in good standing by the applicable state regulator. We do not own any stock, warrants to purchase stock or other forms of equity in any of our portfolio companies that are involved in the cannabis industry, and we will not take stock, warrants or equity in such issuers until permitted by applicable laws and regulations, including U.S. federal laws and regulations.

We are an externally managed Maryland corporation that elected to be taxed as a REIT under Section 856 of the Code, commencing with our taxable year ended December 31, 2021. We believe that our method of operation will enable us to continue to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us continuing to satisfy numerous asset, income, and distribution tests, which in turn depend, in part, on our operating results. We also intend to operate our business in a manner that will permit us and our subsidiaries to maintain one or more exclusions or exemptions from registration under the Investment Company Act.

#### Revenues

We operate as one operating segment and are primarily focused on financing senior secured loans and other types of loans for established state-licensed operators in the cannabis industry. These loans are generally held for investment and are substantially secured by real estate, equipment, licenses and other assets of the borrowers to the extent permitted by the applicable laws and the regulations governing such borrowers.

We generate revenue primarily in the form of interest income on loans. As of September 30, 2023 and December 31, 2022, approximately 81.1% and 83.1%, respectively, of our portfolio was comprised of floating rate loans, and 18.9% and 16.9% of our portfolio was comprised of fixed rate loans, respectively. The floating rate loans described above are variable based upon the Prime Rate plus an applicable margin, and in many cases, a Prime Rate floor.

The Prime Rate during the nine months ended September 30, 2023 and the year ended December 31, 2022 was as follows:

Effective Date	Rate <sup>(1)</sup>
July 27, 2023	8.50 %
May 4, 2023	8.25 %
March 23, 2023	8.00 %
February 2, 2023	7.75 %
December 15, 2022	7.50 %
November 3, 2022	7.00 %
September 22, 2022	6.25 %
July 28, 2022	5.50 %
June 16, 2022	4.75 %
May 5, 2022	4.00 %
March 17, 2022	3.50 %
March 15, 2020	3.25 %

(1) Rate obtained from the Wall Street Journal's "Bonds, Rates & Yields" table.

Interest on our loans is generally payable monthly. The principal amount of our loans and any accrued but unpaid interest thereon generally become due at the applicable maturity date. In some cases, our interest income includes a paid-in-kind ("PIK") component for a portion of the total interest. The PIK interest, computed at the contractual rate specified in each applicable loan agreement, is accrued in accordance with the terms of such loan agreement and capitalized to the principal balance of the loan and recorded as interest income. The PIK interest added to the principal balance is typically amortized and paid in accordance with the applicable loan agreement. In cases where the loans do not amortize, the PIK interest is collected upon repayment of the outstanding principal. We also generate revenue from original issue discounts ("OID"), which is also recognized as interest income from loans over the initial term of the applicable loans. Delayed draw loans may earn interest or unused fees on the undrawn portion of the loan, which is recognized as interest income in the period earned. Other fees, including prepayment fees and exit fees, are also recognized as interest income when received. Any such fees will be generated in connection with our loans and recognized as earned in accordance with generally accepted accounting principles ("GAAP").

#### **Expenses**

Our primary operating expense is the payment of Base Management Fees and Incentive Compensation under our Management Agreement with our Manager and the allocable portion of overhead and other expenses paid or incurred on our behalf, including reimbursing our Manager for a certain portion of the compensation of certain personnel of our Manager who assist in the management of our affairs, excepting only those expenses that are specifically the responsibility of our Manager pursuant to our Management Agreement. We bear all other costs and expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- organizational and offering expenses;
- quarterly valuation expenses;
- fees payable to third parties relating to, or associated with, making loans and valuing loans (including third-party valuation firms);
- fees and expenses associated with investor relations and marketing efforts (including attendance at investment conferences and similar events);
- accounting and audit fees and expenses from our independent registered public accounting firm;
- federal and state registration fees;
- any exchange listing fees;
- federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders' reports and notices; and
- costs of preparing government filings, including periodic and current reports with the SEC.

#### **Income Taxes**

We are a Maryland corporation that elected to be taxed as a REIT under the Code, commencing with the taxable period ended December 31, 2021. We believe that we qualify as a REIT and that our method of operation will enable us to continue to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us satisfying numerous asset, income and distribution tests which depends, in part, on our operating results.

To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually to our stockholders at least 90% of our REIT taxable income prior to the deduction for dividends paid. To the extent that we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of 1) 85% of our ordinary income for the calendar year, 2) 95% of our capital gain net income for the calendar year, and 3) any undistributed shortfall from our prior calendar year (the "Required Distribution") to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. Our stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that our estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, we will accrue excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense, if any, is included in the line item, income tax expense. For the three and nine months ended September 30, 2023, we did not incur excise tax expense.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 - Income Taxes ("ASC 740"), prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have analyzed our various federal and state filing positions and believe that our income tax filing positions and deductions are documented and supported as of **September 30, 2023** **March 31, 2024**. Based on our evaluation, there is no reserve for any uncertain income tax positions. Accrued interest and penalties, if any, are included within other liabilities in the consolidated balance sheets.

#### **Factors Impacting our Operating Results**

The results of our operations are affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply of, and demand for, commercial real estate debt and other financial assets in the marketplace. Our net interest income, which includes the accretion and amortization of OID, is recognized based on the contractual rate and the outstanding principal balance of the loans we originate. Interest rates will vary according to the type of loan, conditions in the financial markets, creditworthiness of our borrowers, competition and other factors, some of which cannot be predicted with any certainty. Our operating results may also be impacted by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers.

#### **Changes in Market Interest Rates and Effect on Net Interest Income**

26

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Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We will be subject to interest rate risk in connection with our assets and our related financing obligations.

Our operating results will depend in large part on differences between the income earned on our assets and our cost of borrowing. The cost of our borrowings generally will be based on prevailing market interest rates. **During a period Periods** of rising interest rates, **may over time cause**:

- the interest expense associated with our borrowing costs generally will increase, (a) while the yields earned on our leveraged fixed-rate loan assets will be static, and (b) at a faster pace than the yields earned on our leveraged floating-rate loan assets, subject to any applicable ceilings, which could result in a decline in our net interest spread and net interest margin.
- the value of our mortgage loans to decline; and
- coupons on our floating rate loans to reset to higher interest rates.

Conversely, periods of declining interest rates, in general, may over time cause:

- the interest expense associated with our borrowings to decrease, subject to any applicable floors;
- the value of our loan portfolio to increase, for such mortgages with applicable floors; and
- coupons on our floating rate mortgage loans to reset to lower interest rates, subject to any applicable floors.

The severity of any such **decline** increase or decrease to our net interest spread and net interest margin would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. **Further, an increase in short-term interest rates could also have a negative impact on the market value of our target investments.** If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

#### **Interest Rate Cap Risk**

We currently own and intend to acquire in the future floating-rate assets. These are assets in which the loans may be subject to periodic and lifetime interest rate caps and floors, which limit the amount by which the asset's interest yield may change during any given period. However, our borrowing costs pursuant to our financing agreements may not be subject to similar restrictions. Therefore, in a period of increasing interest rates, interest rate costs on our borrowings could increase without limitation by caps, while the interest-rate yields on our floating-rate assets would effectively be limited. In addition, floating-rate assets may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of cash income from such assets in an amount that is less than the amount that we would need to pay the interest cost on our related borrowings.

These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would harm our financial condition, cash flows and results of operations. As of **September 30, 2023** **March 31, 2024**, **84%** **76.7%** of our floating rate loans, based on principal outstanding have interest rate floors, and one loan is subject to an interest rate cap (Note 3).

#### **Interest Rate Mismatch Risk**

We may fund a portion of our origination of loans, or of loans that we may in the future acquire, with borrowings that are based on the Prime Rate or a similar measure, while the interest rates on these assets may be fixed or indexed to the Prime Rate or another index rate. Accordingly, any increase in the Prime Rate will generally result in an increase in our borrowing costs that would not be matched by fixed-rate interest earnings and may not be matched by a corresponding increase in floating-rate interest earnings. Any such interest rate mismatch could adversely affect our profitability, which may negatively impact distributions to our stockholders.

Our analysis of risks is based on our Manager's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of decisions by our Manager and our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results.

## Market Conditions

We believe that favorable market conditions, including an imbalance in supply and demand of credit to cannabis operating companies, have provided attractive opportunities for non-bank lenders, such as us, to finance commercial real estate loans and other loans that exhibit strong fundamentals but also require more customized financing structures and loan products than regulated

27

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financial institutions can presently provide. Additionally, to the extent that additional states legalize cannabis, our addressable market will increase. We intend to continue to capitalize on these opportunities and growing the size of our portfolio.

### Developments During the **Third First Quarter of 2023** 2024

#### Updates to Our Loan Portfolio during the **Third First Quarter of 2023** 2024

As of May 1, 2023, Loan #9 was placed on non-accrual status for borrower's breach of certain non-financial covenants and obligations under the loan agreement. The borrower subsequently failed to make contractual principal and interest payments due for the months of May and June 2023. On June 20, 2023, the Administrative Agent in February 2024, we entered into an amendment to Loan #9 (the "Agent", a related party) issued an acceleration notice notifying the borrower of the Agent's intention to exercise all rights and remedies under the credit documents and requested immediate payment of all amounts outstanding thereunder on behalf of the lenders.

The Agent subsequently pursued a Uniform Commercial Code ("UCC") sale of the membership interests of the borrower's subsidiaries #16, which were pledged as collateral. On August 10, 2023, the Agent was the highest bidder in a public auction of the membership interests and took ownership of the membership interests. The Agent intends to sell the assets in satisfaction modified certain financial covenants. No monetary terms of the loan were modified in connection with the benefit amendment.

In February 2024, we entered into an amendment to Loan #6, which extended the maturity date to April 15, 2024. No other terms of the loan were modified in connection with this amendment.

In February 2024, we entered into an amendment to Loan #19, which extended the maturity date from August 29, 2025 to December 31, 2025. Additionally, make-whole interest protections were extended through June 30, 2025 and the PIK rate was increased from 3.0% to 5.0%.

In March 2024, we entered into an amendment to Loan #8 which waived amortization to April 30, 2024 and waives all PIK interest during the first quarter of 2024.

As described in Note 3, Loan #9 remains on non-accrual status and the Company will continue to cease further recognition of income until such events of default are cured or obligations are repaid. As of **September 30, 2023** **March 31, 2024**, Loan #9 is held on the consolidated balance sheet as a loan held for investment – related party with a carrying value of approximately **\$16.3 million** **\$16.5 million** and a reserve for current expected credit losses of approximately **\$1.3 million**.

#### Subsequent Updates to Our Loan Portfolio

During the period from **October 1, 2023** **April 1, 2024** to **November 8, 2023** **May 7, 2024**, we funded approximately **\$4.0 million** **\$0.4 million** to the borrower of Loan #18 and **\$5.2 million** **\$0.2 million** to the borrower of Loan #27, #21.

In April 2024, we entered into an amendment to Loan #4, which extended the maturity date to May 17, 2024. No other terms of the loan were modified in connection with this amendment.

**In April 2024, we entered into an amendment to Loan #6, which extended the maturity date to May 31, 2024. No other terms of the loan were modified in connection with this amendment.**

**In April 2024, we entered into an amendment to Loan #3, which extended the maturity date to June 14, 2024 for the second tranche of the credit facility which has a principal balance of \$2.9 million. The remaining \$17.9 million of principal retained its original maturity date of November 29, 2024. No other terms of the loan were modified in connection with this amendment.**

**In April 2024, we entered into a \$6.0 million commitment with a new borrower. As of May 7, 2024, the Company has not funded this commitment.**

#### Dividends Declared Per Share

During the three months ended **September 30, 2023** **March 31, 2024**, we declared an ordinary cash dividend of \$0.47 per share of our common stock, relating to the third quarter of 2023, which was paid on **October 13, 2023** **April 15, 2024** to stockholders of record as of the close of business on **September 29, 2023** **March 28, 2024**. The total amount of the cash dividend payment was approximately **\$8.5 million** **\$9.0 million**.

The payment of this dividend is not indicative of our ability to pay such dividends in the future.

## Results of Operations

Comparison of the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**

	For the three months ended			Variance	
	September 30,		Amount		
	2023	2022			
<b>Revenues</b>					
Interest income	\$ 15,183,450	\$ 13,795,097	\$ 1,388,353	10%	
Interest expense	(1,449,143)	(861,348)	(587,795)	68%	
<b>Net interest income</b>	<b>13,734,307</b>	<b>12,933,749</b>	<b>800,558</b>	<b>6%</b>	
<b>Expenses</b>					
Management and incentive fees, net	1,601,387	1,347,421	253,966	19%	
General and administrative expense	1,251,307	1,076,798	174,509	16%	
Professional fees	491,107	348,785	142,322	41%	
Stock based compensation	540,426	84,891	455,535	537%	
(Reversal)/provision for current expected credit losses	(41,351)	306,885	(348,236)	(113)%	
<b>Total expenses</b>	<b>3,842,876</b>	<b>3,164,780</b>	<b>678,096</b>	<b>21%</b>	
Change in unrealized gain on debt securities, at fair value	85,567	-	85,567	100%	
<b>Net Income before income taxes</b>	<b>9,976,998</b>	<b>9,768,969</b>	<b>208,029</b>	<b>2%</b>	
Income tax expense	-	-	-	-	
<b>Net Income</b>	<b>\$ 9,976,998</b>	<b>\$ 9,768,969</b>	<b>\$ 208,029</b>	<b>2%</b>	

- Interest income increased by approximately \$1.4 million, or 10%, during the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022. The increase was driven primarily by an increase in the Prime Rate from 6.25% as of September 30, 2022, to 8.50% as of September 30, 2023, impacting approximately 81.1% of the Company's loans, as of September 30, 2023, which bear a floating rate. Additionally, we recognized approximately \$288 thousand of income from fees during the quarter ended September 30, 2023 as compared to \$196 thousand for the same period in 2022.

	For the three months ended March 31,			Variance	
	2024		2023		
	2024	2023			
<b>Revenues</b>					
Interest income	\$ 15,343,667	\$ 16,527,304	\$ (1,183,637)	-7%	
Interest expense	(2,104,050)	(1,618,296)	(485,754)	30%	
<b>Net interest income</b>	<b>13,239,617</b>	<b>14,909,008</b>	<b>(1,669,391)</b>	<b>-11%</b>	
<b>Expenses</b>					
Management and incentive fees, net	1,754,741	2,138,005	(383,264)	-18%	
General and administrative expense	1,390,267	1,274,825	115,442	9%	
Professional fees	449,858	569,375	(119,517)	-21%	
Stock based compensation	531,293	138,335	392,958	284%	
Provision for current expected credit losses	380,279	96,119	284,160	296%	
<b>Total expenses</b>	<b>4,506,438</b>	<b>4,216,659</b>	<b>289,779</b>	<b>7%</b>	
Change in unrealized gain on debt securities, at fair value	(75,604)	-	(75,604)	100%	
Realized gain on debt securities, at fair value	72,428	-	72,428	100%	
<b>Net Income before income taxes</b>	<b>8,730,003</b>	<b>10,692,349</b>	<b>(1,962,346)</b>	<b>-18%</b>	
Income tax expense	-	-	-	-	
<b>Net Income</b>	<b>\$ 8,730,003</b>	<b>\$ 10,692,349</b>	<b>\$ (1,962,346)</b>	<b>-18%</b>	

- Interest income decreased by approximately \$1.2 million, or 7%, during the quarter ended March 31, 2024, compared to the quarter ended March 31, 2023. The decrease was driven primarily by fewer unscheduled principal repayments during the first quarter of 2024 and 2023. Unscheduled repayments generated approximately \$0.1 million and \$1.1 million of gross interest income during the three months ended March 31, 2024 and 2023. Additionally, the outstanding principal of the Company's loans which bear a floating rate decreased from 88% at March 31, 2023, to 77% at March 31, 2024, contributing to the sequential decline.
- Net interest income decreased approximately \$1.7 million, or 11%, over the comparative period. The decrease was attributable to the decrease in interest income described above, and by a corresponding increase in interest expense driven by the timing of borrowings and increase in the outstanding balance on the Revolving Loan, which bear a floating rate.

interest at the Prime Rate plus an Applicable Margin. The outstanding balance on the Revolving Loan was approximately \$81.3 million and \$37.5 million, as of March 31, 2024 and 2023, respectively.

- We incurred base management and incentive fees payable to our Manager of approximately \$1.8 million for the three months ended March 31, 2024, as compared to approximately \$2.1 million for the three months ended March 31, 2023. Management fees were approximately \$1.1 million for the three months ended March 31, 2024, as compared to approximately \$1.0 million for the three months ended March 31, 2023. The slight increase in management fees was primarily attributable to greater origination fee offsets in the three months ended March 31, 2024 of approximately \$16 thousand, compared to approximately \$5 thousand for the three months ended March 31, 2023, as well as an increase in weighted average equity as defined by the Management Agreement for the comparable period. Incentive fees were approximately \$0.7 million for the three months ended March 31, 2024, as compared to approximately \$1.1 million for the three months ended March 31, 2023, primarily driven by higher trailing twelve month Core Earnings in the first quarter of 2023.
- General and administrative expenses and professional fees increased by approximately \$115 thousand for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The increase was primarily due to an increase in overhead reimbursements for costs incurred by the Manager on behalf of the Company, which were approximately \$1.2 million for the three months ended March 31, 2024, compared to approximately \$1.0 million for the three months ended March 31, 2023.
- Stock based compensation expense increased by approximately \$0.4 million for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The increase over the comparable period is driven by the incremental expense recognized on the 321,500 restricted stock awards granted to employees of our Manager on June 1, 2023, which had not been granted as of March 31, 2023.
- Our provision for current expected credit losses decreased due to both borrower specific credit factors and regular re-evaluations of overall current macroeconomic conditions affecting our borrowers and the industry.

29

- Net interest income increased approximately \$0.8 million or 6%, over the comparative period. The increase was attributable to the increase in interest income described above, offset by a corresponding increase in interest expense driven by the timing of borrowings and increase in the Prime Rate as noted above given the Revolving Loan bears interest at the Prime Rate plus an Applicable Margin. The outstanding balance on the Revolving Loan was \$63.0 million and \$53.0 million, as of September 30, 2023 and 2022, respectively.

- We incurred base management and incentive fees payable to our Manager of approximately \$1.6 million for the three months ended September 30, 2023, as compared to approximately \$1.3 million for the three months ended September 30, 2022. The increase was primarily attributable to greater assets under management, which was offset by fewer origination fee offsets in the three months ended September 30, 2023 of approximately \$0, compared to approximately \$193 thousand for the three months ended September 30, 2022, as well as an increase in weighted average equity as defined by the Management Agreement for the comparable period.
- General and administrative expenses and professional fees increased by approximately \$317 thousand for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. The increase was primarily due to an increase in overhead reimbursements for costs incurred by the Manager on behalf of the Company which were \$1.1 million for the three months ended September 30, 2023 compared to \$1.0 million for the three months ended September 30, 2022.
- Stock based compensation increased by \$0.5 million for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. The increase over the comparable period was driven by the grant of 323,452 restricted stock awards to employees of our Manager during the nine months ended September 30, 2023.
- Reversal for current expected credit losses was \$41 thousand in the three months ended September 30, 2023 as compared to a provision of \$307 thousand in the three months ended September 30, 2022, resulting from changes in risk ratings from September 30, 2022 to September 30, 2023, which are due to both borrower specific credit changes, and quarterly re-evaluations of overall current macroeconomic conditions affecting our borrowers and the industry. Changes in portfolio risk composition, and other loan specific factors such as shorter average remaining loan terms and loan repayments during the three months ended September 30, 2023 also contributed to the reversal in the third quarter of 2023. Additionally, during the three-month period ended September 30, 2023, the Company observed that valuation multiples of publicly traded companies in the industry improved as a result of macro-economic factors. Such factors include but are not limited to; expectations surrounding future interest rate hikes by the Federal Reserve and public announcements about proposed regulatory reform relating to a potential rescheduling of cannabis at the federal level. Management contemplates the impacts of these macro-economic factors during the forecast period when determining enterprise value and ultimately, the CECL reserve. Estimates may change in future periods based on available future macro-economic data and might result in a material change in the Company's future estimates of expected credit losses for its loan portfolio.

- o Provision for current expected credit losses was \$380 thousand in the three months ended March 31, 2024, as compared to \$96 thousand in the three months ended March 31, 2023.

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The current expected credit loss reserve represents approximately 150 basis points of our aggregate loan commitments held at carrying value of approximately \$5.1 million which was bifurcated between (i) the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying value of approximately \$5.1 million and (ii) a liability for unfunded commitments of \$0.1 million as of September 30, 2023, as compared to approximately 44 basis points as of September 30, 2022, and was bifurcated between (i) the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying value of approximately \$1.5 million and (ii) a liability for unfunded commitments of \$54 thousand. The liability is based on the unfunded Changes in portfolio risk composition resulting from principal paydowns and new fundings also contributed to the increase, with reserves on new 2024 originations representing a larger portion of loan commitments over the full contractual period over which we are exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and if funded, the expected credit loss on the funded portion. We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan.

**Comparison of the nine months ended September 30, 2023 and 2022**

	For the nine months ended				Variance	
	September 30,					
	2023	2022	Amount	%		
<b>Revenues</b>						
Interest income	\$ 46,369,976	\$ 35,478,178	\$ 10,891,798	31%		
Interest expense	(4,062,365)	(1,383,172)	(2,679,193)	194%		
<b>Net interest income</b>	<b>42,307,611</b>	<b>34,095,006</b>	<b>8,212,605</b>	<b>24%</b>		

<b>Expenses</b>				
Management and incentive fees, net	5,539,059	3,266,487	2,272,572	70 %
General and administrative expense	3,833,733	2,410,151	1,423,582	59 %
Professional fees	1,598,376	1,649,360	(50,984)	(3) %
Stock based compensation	942,605	328,356	614,249	187 %
Provision/(reversal) for current expected credit losses	1,193,880	1,403,892	(210,012)	(15) %
<b>Total expenses</b>	<b>13,107,653</b>	<b>9,058,246</b>	<b>4,049,407</b>	<b>45 %</b>
Change in unrealized gain on debt securities, at fair value	112,767	-	112,767	100 %
<b>Net Income before income taxes</b>	<b>29,312,725</b>	<b>25,036,760</b>	<b>4,275,965</b>	<b>17 %</b>
Income tax expense	-	-	-	0 %
<b>Net Income</b>	<b>\$ 29,312,725</b>	<b>\$ 25,036,760</b>	<b>\$ 4,275,965</b>	<b>17 %</b>

- Interest income increased by approximately \$10.9 million, or 31%, during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022 **reserve than loans originated as of March 31, 2023**. The increase was driven primarily by an increase in the Prime Rate discussed above, impacting approximately 81.1% of the Company's loans, which bear a floating rate as of September 30, 2023, compared to 59.7% as of September 30, 2022. Additionally, we recognized approximately \$2.0 million of income from fees during the nine months ended September 30, 2023 as compared to \$0.6 million for the same period in 2022.
- Interest expense increased approximately \$2.7 million over the comparative period resulting from timing of borrowings and amounts outstanding under the Revolving Loan, but primarily due to the series of Prime Rate increases from 6.25% to 8.50% as of September 30, 2023. Additionally, the Company increased the availability under the Revolving Loan from \$65.0 million as of September 30, 2022 to \$100.0 million as of September 30, 2023, resulting in an increase to unused fee interest expense (25 basis points of amounts outstanding) over the comparative period.

- We incurred base management and incentive fees payable to our Manager of approximately \$5.5 million for the nine months ended September 30, 2023, as compared to approximately \$3.3 million for the nine months ended September 30, 2022, an increase of approximately \$2.3 million. The increase was primarily attributable to greater assets under management, which was offset by fewer origination fee offsets in the nine months ended September 30, 2023 of approximately \$0.1 million, compared to approximately \$1.3 million for the nine months ended September 30, 2022 as well as an increase in weighted average equity as defined by the Management Agreement over the comparable period.
- General and administrative expenses and professional fees increased by approximately \$1.4 million for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. The increase was primarily due to an increase in overhead reimbursements for costs incurred by the Manager of \$3.5 million for the nine months ended September 30, 2023 compared to \$2.1 million for the same period in 2022, offset by a decrease in professional fees of \$0.1 million.
- Stock based compensation increased by \$0.6 million for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. The increase was driven by the grant of 323,452 restricted stock awards to employees of our Manager during the nine months ended September 30, 2023.
- Provision for current expected credit losses decreased by 0.2 million in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, primarily due to changes in risk ratings from September 30, 2022 to September 30, 2023 which are due to both borrower specific credit changes, and quarterly re-evaluations of overall current macroeconomic conditions affecting our borrowers and the industry. Changes in portfolio risk composition resulting from principal paydowns and new fundings, also contributed to the decrease, with reserves on new 2023 originations representing a smaller portion of the reserve than loans originated in prior years. This is the result of improvement in enterprise valuations of our borrowers, driven by valuation multiples of comparable companies increasing during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

The current expected credit loss reserve represents approximately 150 basis points of our aggregate loan commitments held at carrying value of approximately \$5.1 million which was bifurcated between (i) the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying value of approximately \$5.1 million and (ii) a liability for unfunded commitments of \$0.1 million. The liability is based on the unfunded portion of loan commitments over the full contractual period over which we are exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and if funded, the expected credit loss on the funded portion. We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan.

#### Loan Portfolio

As of **September 30, 2023** **March 31, 2024** approximately 59.5% of our loans carry a risk rating of "1" or "2".

- The current expected credit loss reserve represents approximately 140 basis points of our aggregate loan commitments held at carrying value of approximately \$5.1 million as of **March 31, 2024**. The liability is based on the unfunded portion of loan commitments over the full contractual period over which we are exposed to risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and **December 31, 2022** if funded, the expected credit loss on the funded portion. We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan.

#### Loan Portfolio

As of **March 31, 2024** and **December 31, 2023**, our portfolio included **27** **28** and **22** **27** loans held for investment, of approximately **\$338.8 million** **\$375.8 million** and **\$339.3 million** **\$353.6 million** at carrying value, respectively, prior to the reserve for current expected credit losses. The aggregate originated commitment under these loans was approximately **\$355.9 million** **\$401.3 million** and **\$351.4 million** **\$378.8 million** and outstanding principal was approximately **\$341.8 million** **\$377.6 million** and **\$343.0 million** **\$355.7 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, our loan portfolio had a weighted-average yield-to-maturity internal rate of return ("YTM IRR") of **19.3%** and **19.7%** **19.4%**, respectively, and was substantially secured by real estate and, with respect to certain of our loans, substantially all assets of the borrowers and certain of their subsidiaries, including equipment, receivables, and licenses. YTM IRR is calculated using various inputs, including (i) cash and paid-in-kind ("PIK") interest, which is capitalized and added to the outstanding principal balance of the applicable loan, (ii) original issue discount ("OID"), (iii) amortization, (iv) unused fees, and (v) exit fees. Certain of our loans have extension fees, which are not included in our YTM IRR calculations, but may increase YTM IRR if such extension options are exercised by borrowers.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, approximately **81.1%** **76.6%** and **83.1%** **80.5%**, respectively, of our portfolio was comprised of floating rate loans that pay interest at the Prime Rate plus an applicable margin and were subject to a Prime Rate floor. The Prime Rate was **3.25%** for the period from **January 1, 2022** through **March 16, 2022**, increased to **3.50%** effective **March 17, 2022**, increased to **4.00%** effective **May 5, 2022**, increased to **4.75%** effective **June 16, 2022**, increased to **5.50%** effective **July 28, 2022**, increased to **6.25%** effective **September 22, 2022**, increased to **7.00%** effective **November 3, 2022**, increased to **7.50%** effective **December 15, 2022** on **January 1, 2023**, increased to **7.75%** effective **February 2, 2023**, increased to **8.00%** effective **March 23, 2023**, increased to **8.25%** effective **May 4, 2023** and increased again to **8.50%** effective **July 27, 2023** as of **December 31, 2023**. The below summarizes our portfolio as of **September 30, 2023** **March 31, 2024**:

Loan (1)	Initial						of Our						Periodic	YTM		
	Location(s)	Funding	Maturity	Total	Principal	Original Issue		Carrying Value	Loan Portfolio	Future						
						Balance	Discount			Fundings	Interest Rate (4)	Payment (5)				
1	Various	10/27/2022	10/30/2026	\$ 30,000,000	\$ 29,820,000	\$ (579,713)	\$ 29,240,287	7.8 %	-		P+6.5% Cash (11)	I/O	17.4%			
2	Michigan	1/13/2022	12/31/2024	35,891,667	39,167,481	(60,915)	39,106,565	10.4 %	-		P+6.65% Cash, 4.25% PIK (17)	P&I	18.0%			
3 <sup>(a)</sup>	Various	3/25/2021	11/29/2024	20,105,628	20,791,605	(45,680)	20,745,924	5.5 %	-		P+10.38% Cash, 2.75% PIK (7)	P&I	23.5%			
4	Arizona	4/19/2021	4/16/2024	14,240,129	16,091,216	-	16,091,216	4.3 %	-		15% PIK (15)	I/O	30.5%			
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,036,680	-	3,036,680	0.8 %	-		P+12.25% Cash (7)	P&I	22.8%			
6	Michigan	8/20/2021	4/15/2024	6,000,000	4,611,348	-	4,611,348	1.2 %	-		P+9% Cash (7)	P&I	20.9%			
7	Illinois, Arizona	8/24/2021	6/30/2025	26,002,665	20,663,292	(136,918)	20,526,374	5.5 %	-		P+6% Cash, 2% PIK (12)	P&I	19.5%			
8	West Virginia	9/1/2021	9/1/2024	9,500,000	12,094,954	(26,697)	12,068,257	3.2 %	-		P+9.25% Cash, 2% PIK (8)	P&I	25.1%			
9 <sup>(a)</sup>	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,527,188	-	16,527,188	4.4 %	-		P+10.75% Cash, 3% PIK (7)	P&I	16.3%			

11	Maryland	9/30/2021	9/30/2024	32,000,000	33,478,944	(178,986 )	33,299,958	8.9 %	-	P+8.75% Cash, 2% PIK (7)	I/O	22.0%
12	Various	11/8/2021	10/31/2024	20,000,000	8,710,222	(36,770 )	8,673,452	2.3 %	-	P+7% Cash (13)	P&I	19.5%
13	Michigan	11/22/2021	11/1/2024	13,600,000	13,279,539	(41,628 )	13,237,911	3.5 %	-	P+6% Cash, 1.5% PIK (12)	I/O	19.5%
14	Various	12/27/2021	12/27/2026	5,000,000	5,253,125	-	5,253,125	1.4 %	-	P+12.25% Cash, 2.5% PIK (9)	P&I	23.2%
15	Florida	12/30/2021	12/31/2024	13,000,000	4,232,500	(14,320 )	4,218,180	1.1 %	-	P+9.25% Cash (7)	I/O	35.7%
17	Florida	1/18/2022	1/31/2025	15,000,000	14,550,000	(105,341 )	14,444,659	3.8 %	-	P+4.75% Cash (11)	P&I	14.8%
18	Ohio	2/3/2022	2/28/2025	22,448,992	20,731,419	(72,670 )	20,658,749	5.5 %	-	P+1.75% Cash, 5% PIK (12)	P&I	16.4%
19	Florida	3/11/2022	12/31/2025	20,000,000	19,696,007	(41,819 )	19,654,188	5.2 %	-	11% Cash, 5% PIK	P&I	16.5%
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,781,166	(64,682 )	17,716,484	4.7 %	-	11% Cash, 2% PIK	P&I	14.7%
21	Illinois	7/1/2022	7/29/2026	9,000,000	4,976,931	(51,377 )	4,925,554	1.3 %	-	P+8.5% Cash, 3% PIK (9)	P&I	27.0%
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,820,000	(33,182 )	1,786,818	0.5 %	-	P+7.5% Cash (14)	P&I	18.9%
24	Oregon	3/31/2023	9/27/2026	1,000,000	760,000	-	760,000	0.2 %	-	P+10.5% Cash (10)	P&I	21.7%
25	New York	8/1/2023	6/29/2036	26,309,588	24,834,254	-	24,834,254	6.6 %	-	15% Cash	P&I	16.6%
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(104,394 )	5,345,606	1.4 %	-	14% Cash	P&I	19.1%
27	Nebraska	8/15/2023	6/30/2027	13,061,667	13,061,667	-	13,061,667	3.5 %	-	P+8.75% Cash	P&I	19.0%
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,706	-	2,466,706	0.7 %	-	15% Cash	P&I	17.4%
29	Illinois	10/11/2023	10/9/2026	2,000,000	2,010,090	-	2,010,090	0.5 %	-	11.4% Cash, 1.5% PIK	P&I	14.8%
30	Missouri, Arizona	12/20/2023	12/31/2026	15,000,000	15,000,000	(136,926 )	14,863,074	4.0 %	-	P+7.75% Cash (16)	I/O	18.1%
31	California, Arizona	1/3/2024	5/3/2026	6,680,000	6,680,000	-	6,680,000	1.8 %	-	P+8.75% Cash	I/O	19.0%
			Subtotal	\$ 401,257,040	\$ 377,576,334	\$ (1,732,020 )	\$ 375,844,314	100 %	\$ —		Wtd Average	19.4%

- (1) All loans originated prior to April 1, 2021 were purchased from affiliated entities at fair value plus accrued interest on or subsequent to April 1, 2021. Loan numbering in table above is maintained from origination for purposes of comparability and may not be sequential due to maturities, payoffs, or refinancings.
- (2) Certain loans are subject to contractual extension options and may be subject to performance based on other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein and certain borrowers may have the right to prepay with or without a contractual prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.
- (3) Total Commitment excludes future amounts to be advanced at sole discretion of the lender and reflects receipt of scheduled amortization payments as of March 31, 2023.
- (4) "P" = prime rate and depicts floating rate loans that pay interest at the prime rate plus a specific percentage; "PIK" = paid-in-kind interest; subtotal represents weighted average interest rate.
- (5) P&I = principal and interest. I/O = interest only. P&I loans may include interest only periods for a portion of the loan term.
- (6) Estimated YTM, calculated on a weighted average principal basis, includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the life of the loan. The estimated YTM calculations require management to make estimates and assumptions, including, but not limited to, the timing and amounts of loan drawdowns, delayed draw loans, the timing and collectability of exit fees, the probability and timing of prepayments and the probability of contingent features occurring. For example, certain credit agreements contain provisions pursuant to which certain PIK interest rates and fees earned by us under such credit agreements will decrease upon satisfaction of certain specified criteria which we believe may improve the risk profile of the applicable borrower. To be conservative, we have not assumed any prepayment penalties or early payoffs in our estimated YTM calculation. Estimated YTM is based on current management estimates and assumptions, which may change. Actual could differ from those estimates and assumptions.
- (7) This Loan is subject to a prime rate floor of 3.25%
- (8) This Loan is subject to a prime rate floor of 4.00%
- (9) This Loan is subject to a prime rate floor of 4.75%
- (10) This Loan is subject to a prime rate floor of 5.50%
- (11) This Loan is subject to a prime rate floor of 6.25%
- (12) This Loan is subject to a prime rate floor of 7.00%
- (13) This Loan is subject to a prime rate floor of 7.50%
- (14) This Loan is subject to a prime rate floor of 8.00%
- (15) This Loan is subject to a prime rate floor of 8.25%

- (16) This Loan is subject to a prime rate floor of 8.50%
- (17) This Loan is subject to a prime rate cap of 5.85%
- (18) The aggregate loan commitment to Loan #3 includes a \$15.9 million initial commitment which has a base interest rate of 13.625%, 2.75% PIK and a second commitment of \$4.2 million which has an interest rate of 15.00%, 2.00% PIK. The statistics presented reflect the weighted average of the terms under all advances for the total aggregate loan commitment.
- (19) As of May 1, 2023, Loan #9 was placed on non-accrual status and continues to be on non-accrual as of March 31, 2024. Loan #9 is included on the consolidated b sheet as a loan held for investment – related party (Note 7).

Loan	Location(s)	Initial Funding Date (1)	Maturity Date (2)	Total Commitment (3)	Principal Balance	Original Issue (Discount)	Carrying Value	Percent of Our Loan Portfolio	Future Fundings	Interest Rate (4)	Periodic Payment (5)	YTM IRR (6)
1	Various	10/27/2022	10/30/2026	\$ 30,000,000	\$ 30,000,000	\$ (692,213)	\$ 29,307,787	8.7 %	-	P+6.5% Cash (10)	I/O	17.3 %
2	Michigan	1/13/2022	12/31/2024	35,891,668	38,400,627	(101,451)	38,299,176	11.3 %	-	P+6.65% Cash, 3.25% PIK (16)	P&I	18.0 %
3 <sup>(17)</sup>	Various	3/25/2021	11/29/2024	20,105,628	20,524,482	(307,143)	20,217,339	6.0 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.2 %
4	Arizona	4/19/2021	12/31/2023	14,120,000	14,722,749	-	14,722,749	4.3 %	-	P+11.75% Cash (14)	I/O	18.1 %
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,197,120	-	3,197,120	0.9 %	204,000	P+12.25% Cash (7)	P&I	22.4 %
6	Michigan	8/20/2021	2/20/2024	6,000,000	4,264,421	(1,499)	4,262,922	1.3 %	1,500,000	P+9% Cash (7)	P&I	20.8 %
7	Illinois, Arizona	8/24/2021	6/30/2025	25,000,000	20,913,172	(150,172)	20,763,000	6.1 %	-	P+6% Cash, 2% PIK (11)	P&I	18.6 %
8	West Virginia	9/1/2021	9/1/2024	9,500,000	11,086,045	(58,421)	11,027,624	3.3 %	-	P+9.25% Cash, 2% PIK (15)	P&I	26.1 %
9 <sup>(18)</sup>	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,278,729	-	16,278,729	4.8 %	-	P+10.75% Cash, 3% PIK (7)	P&I	19.3 %
10	Michigan	9/30/2021	9/30/2024	470,411	169,871	-	169,871	0.1 %	-	11% Cash	P&I	21.4 %
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,142,423	(357,973)	32,784,450	9.7 %	-	P+8.75% Cash, 2% PIK (7)	I/O	22.0 %
12	Various	11/8/2021	10/31/2024	13,574,667	8,710,222	(68,215)	8,642,007	2.6 %	-	P+9% Cash (12)	P&I	19.8 %
13	Michigan	11/22/2021	11/1/2024	13,100,000	13,004,225	(74,165)	12,930,060	3.8 %	-	P+6% Cash, 1.5% PIK (11)	I/O	18.9 %
14	Various	12/27/2021	12/27/2026	5,000,000	5,125,000	-	5,125,000	1.5 %	-	P+12.25% Cash, 2.5% PIK (8)	P&I	23.5 %
16	Florida	12/30/2021	12/31/2024	13,000,000	4,887,500	(23,849)	4,863,651	1.4 %	5,500,000	P+9.25% Cash (7)	I/O	33.6 %
17	Florida	1/18/2022	1/31/2025	15,000,000	15,000,000	(168,338)	14,831,662	4.4 %	-	P+4.75% Cash (10)	P&I	14.4 %
18	Ohio	2/3/2022	2/28/2025	11,662,050	13,000,915	(112,166)	12,888,749	3.8 %	-	P+1.75% Cash, 5% PIK(11)	P&I	22.1 %
19	Florida	3/11/2022	8/29/2025	20,000,000	20,537,025	(65,525)	20,481,500	6.0 %	-	11% Cash, 3% PIK	P&I	15.5 %
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,602,435	(92,534)	17,509,901	5.2 %	-	11% Cash, 2% PIK	P&I	14.7 %
21	Illinois	7/1/2022	7/29/2026	9,000,000	5,192,975	(62,438)	5,130,537	1.5 %	4,000,000	P+8.5% Cash, 3% PIK	P&I	25.6 %
22	Maryland	1/24/2023	1/24/2026	11,250,000	10,795,144	(521,647)	10,273,497	3.0 %	-	P+5.75% Cash, 1.4% PIK (10)	P&I	20.4 %
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,920,000	(41,500)	1,878,500	0.6 %	-	P+7.5% Cash (13)	P&I	18.9 %
24	Oregon	3/31/2023	9/27/2026	1,000,000	900,000	-	900,000	0.3 %	-	P+10.5% Cash (9)	P&I	21.7 %
25	New York	8/1/2023	6/29/2036	18,746,662	18,417,846	-	18,417,846	5.4 %	-	15% Cash	P&I	16.7 %
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(131,763)	5,318,237	1.6 %	-	14% Cash	P&I	19.1 %
27	Nebraska	8/15/2023	6/30/2027	6,103,870	6,103,870	-	6,103,870	1.8 %	-	P+8.75% Cash	P&I	19.0 %
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,705	-	2,466,705	0.7 %	-	15% Cash	P&I	17.4 %
Current expected credit losses												
Total loans held at carrying value				355,941,661	341,813,501	(3,021,012)	333,680,294	100.0 %	11,204,000		Wtd Average	19.3 %

(1) All loans originated prior to April 1, 2021 were purchased from affiliated entities at fair value plus accrued interest on or subsequent to April 1, 2021.

(2) Certain loans are subject to contractual extension options and may be subject to performance based on other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without a contractual prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

(3) Total Commitment excludes future amounts to be advanced at sole discretion of the lender and reflects receipt of scheduled amortization payments as of September 30, 2023.

(4) "P" = prime rate and depicts floating rate loans that pay interest at the prime rate plus a specific percentage; "PIK" = paid-in-kind interest; subtotal represents weighted average interest rate.

(5) P&I = principal and interest. I/O = interest only. P&I loans may include interest only periods for a portion of the loan term.

(6) Estimated YTM includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the term of the loan. The estimated YTM calculations require management to make estimates and assumptions, including, but not limited to, the timing and amounts of loan draws on delayed draw loans, the timing and collectability of exit fees, the probability and timing of prepayments and the probability of contingent features occurring. For example, certain credit agreements contain provisions pursuant to which certain PIK interest rates and fees earned by us under such credit agreements will decrease upon the satisfaction of certain specified criteria which we believe may improve the risk profile of the applicable borrower. To be conservative, we have not assumed any prepayment penalties or early payoffs in our estimated YTM calculation. Estimated YTM is based on current management estimates and assumptions, which may change. Actual results could differ from those estimates and assumptions.

(7) This Loan is subject to a prime rate floor of 3.25%

(8) This Loan is subject to a prime rate floor of 4.75%

(9) This Loan is subject to a prime rate floor of 5.50%

(10) This Loan is subject to a prime rate floor of 6.25%

(11) This Loan is subject to a prime rate floor of 7.00%

(12) This Loan is subject to a prime rate floor of 7.50%

(13) This Loan is subject to a prime rate floor of 8.00%

(14) This Loan is subject to a prime rate floor of 8.25%

(15) This Loan is subject to a prime rate floor of 4.00%

(16) This Loan is subject to a prime rate cap of 5.85%

(17) The aggregate loan commitment to Loan #3 includes a \$15.9 million initial commitment which has a base interest rate of 13.625%, 2.75% PIK and a second commitment of \$4.2 million which has an interest rate of 15.00%, 2.00% PIK. The statistics presented reflect the weighted average of the terms under all advances for the total aggregate loan commitment.

(18) As of May 1, 2023, Loan #9 was placed on non-accrual status and continues to be on non-accrual as of September 30, 2023. Loan #9 is included on the consolidated balance sheet as a loan held for investment – related party (Note 7).

The following tables summarize our loans held for investment as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

<b>As of September 30, 2023</b>				
	<b>Outstanding Principal (1)</b>	<b>Original Issue Discount</b>	<b>Carrying Value (1)</b>	<b>Weighted Average Remaining Life (Years) (2)</b>
Senior Term Loans	\$ 341,813,501	\$ (3,021,012)	\$ 338,792,489	2.2
Current expected credit loss reserve	-	-	(5,112,195)	
<b>Total loans held at carrying value, net</b>	<b><u>\$ 341,813,501</u></b>	<b><u>\$ (3,021,012)</u></b>	<b><u>\$ 333,680,294</u></b>	
<b>As of March 31, 2024</b>				
	<b>Outstanding Principal (1)</b>	<b>Original Issue Discount</b>	<b>Carrying Value (1)</b>	<b>Weighted Average Remaining Life (Years) (2)</b>
Senior Term Loans	\$ 377,576,334	\$ (1,732,020)	\$ 375,844,314	2.0
Current expected credit loss reserve	-	-	(5,356,018)	
<b>Total loans held at carrying value, net</b>	<b><u>\$ 377,576,334</u></b>	<b><u>\$ (1,732,020)</u></b>	<b><u>\$ 370,488,296</u></b>	
<b>As of December 31, 2023</b>				
	<b>Outstanding Principal (1)</b>	<b>Original Issue Discount</b>	<b>Carrying Value (1)</b>	<b>Weighted Average Remaining Life (Years) (2)</b>
Senior Term Loans	\$ 355,745,305	\$ (2,104,695)	\$ 353,640,610	2.1
Current expected credit loss reserve	-	-	(4,972,647)	
<b>Total loans held at carrying value, net</b>	<b><u>\$ 355,745,305</u></b>	<b><u>\$ (2,104,695)</u></b>	<b><u>\$ 348,667,963</u></b>	

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccrued original issue discount, deferred loan fees and other up-front fees. Outstanding principal balance includes capitalized PIK interest, if applicable.

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount, deferred loan fees and other upfront fees. Outstanding principal balance includes capitalized PIK interest, if applicable.

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of March 31, 2024 and December 31, 2023, respectively.

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of March 31, 2024 and December 31, 2023, respectively.















































