

Chicago Atlantic Real Estate Finance, Inc. (Q1 2026)
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Corporate Speakers:

- Lisa Kampf; SCR Partners; Senior Vice President
- Peter Sack; Chicago Atlantic Real Estate Finance, Inc.; Co-Chief Executive Officer
- David Kite; Chicago Atlantic Real Estate Finance, Inc.; President and Chief Operating Officer
- Phil Silverman; Chicago Atlantic Real Estate Finance, Inc.; Chief Financial Officer

Participants:

- Pablo Zuanic; Zuanic & Associates; Analyst
- Christopher Muller; Citizens Capital Markets; Analyst
- Aaron Grey; Alliance Global Partners; Analyst

PRESENTATION

Operator^ Good day and welcome to the Chicago Atlantic Real Estate Finance, Inc. first quarter 2026 Earnings Conference Call. (Operator Instructions) Please note that this event is being recorded.

I would now like to turn the conference over to Lisa Kampf. Please go ahead.

Lisa Kampf^ Thank you. Good morning. Welcome to the Chicago Atlantic Real Estate Finance conference call to review the company's results. On the call today will be Peter Sack, Co-Chief Executive Officer, David Kite, President and Chief Operating Officer, and Phil Silverman, Chief Financial Officer.

Our results were released this morning in our earnings press release which can be found on our Investor Relations section of our website, along with our supplemental filed with the SEC. A live audio webcast of this call is being made available today. For those who listen to the replay of this webcast, we remind you that the remarks made herein are as of today and will not be updated subsequent to this call.

During the call certain comments and statements we make may be deemed forward-looking statements within the meaning prescribed by securities laws, including statements related to the future performance of our portfolio, our pipeline of potential loans and other investments, future dividends and financing activities. All forward-looking statements represent Chicago Atlantic's judgment as of the date of this conference call and are subject to risks and uncertainties that can cause actual results to differ materially from our current expectations. Investors are urged to carefully review various disclosures made by the company, including the risks and other information disclosed in the company's filings with the SEC.

We also will discuss certain non-GAAP measures, including but not limited to distributable earnings. Definitions of these non-GAAP measures and reconciliations to the most comparable GAAP measures are included in our filings with the SEC.

I will now turn the call over to Peter Sack. Please go ahead.

Peter Sack^ Thank you, Lisa. Good morning, everyone. This quarter, Chicago Atlantic reported a quarter of consistent results against the backdrop of continuing concerns in the private credit market, the Fed pausing the interest rate easing cycle following three consecutive rate cuts in Q4 of last year and volatility caused by the Middle East conflict. This quarter's results reflect the strength and resilience of our business model.

We are a leading capital provider in the cannabis ecosystem. Our experience in this industry provides us with the expertise, relationships and the ability to redeploy capital more quickly than the typical mortgage REIT. Our rigorous underwriting and stringent risk standards led by our cannabis-focused underwriting, real estate and analytics team ensures an acceptable risk reward. I continue to be optimistic about the current environment. The pipeline of cannabis opportunities remain strong and currently stands at \$482 million, of which approximately \$133 million of this pipeline is backed by real estate collateral.

Given the recent medical rescheduling news in late April, I'd be remiss in not highlighting the latest major federal initiative in policy setting for the cannabis industry. The Department of Justice announced on April 23 that it is rescheduling certain medical marijuana products to Schedule III from Schedule I. This is the most significant federal policy change in years and perhaps in the history of the industry. There are nuances to work out as we wait for a more definitive framework and how this policy will apply to existing individual state laws, and we expect these policy changes to impact each operator differently based on their medical market exposure. But after many years of delays, this is a tremendous step in the right direction.

How we expect to immediately benefit from this order is predominantly through the elimination of the extra tax burden on cannabis companies resulting from Section 280E and retrospective relief on legacy tax liabilities that should improve operator cash flows and strengthen balance sheets, driving higher valuation multiples and improving the credit profiles of our borrowers.

The federal order requires and sets up an expedited process for state licensed medical cannabis operators to register with the DEA and, in effect, legalizing state licensed medical cannabis on a federal level. Additional benefits from this would be lowering barriers to U.S. exchanges for which we have been an advocate. An administrative hearing is scheduled for June 29 to July 15. This hearing provides a pathway to reschedule cannabis more broadly, possibly rescheduling adult-use products.

We will continue to be measured in our outlook for a positive outcome and not jump ahead in any conclusions. We believe Chicago Atlantic is well positioned to benefit from

the initial order. And as I stated before the success of our strategy is not dependent on any of these changes. We have remained conservative and underwrite every investment assuming no regulatory-driven credit improvements. Leading up to the June 29 hearing, we have begun forecasting for a range of outcomes from the rule-making process, but currently remain in a wait-and-see mode.

Overall, REFI delivered consistent stable financial results for the first quarter of 2026 against an unstable macro environment. Our differentiated business model, lending to operators and property owners in the cannabis industry enables us to operate in a niche market with limited competition with favorable terms and delivering competitive yields.

This year is proving to be a transformative time for the cannabis industry following the federal government's rescheduling medical marijuana from Schedule I to Schedule III and the potential for broader policy shifts for cannabis later this year. We are encouraged by the validation of our business model and the potential impact of regulatory orders flowing through to REFI. I look forward to updating you on our progress throughout the rest of this exciting year.

David will now speak to the portfolio in greater detail. David?

David Kite^ Thank you, Peter. As of March 31, our loan portfolio principal totaled approximately \$414 million across 25 portfolio companies with a weighted average yield to maturity of 15.8% compared to 16.3% for the fourth quarter of 2025. Gross originations during the quarter were approximately \$54 million of principal fundings, of which \$16.2 million and \$37.8 million were funded to new borrowers and existing borrowers, respectively. These were offset by approximately \$52 million of repayments comprised of \$3.3 million in scheduled amortization payments and \$48.2 million from full and partial loan prepayments.

As of March 31, 2026, approximately 10.7% of our portfolio is risk rated four or higher compared with 4.8% as of December 31, 2025. This risk rating shift primarily attributable to loan number 36 being downgraded from three to a four contributed to an increase in CECL reserves of approximately \$3.8 million.

As I mentioned on our last call we made significant progress on loan number nine last quarter, funding in advance for the borrower to allow for accretive acquisitions. As of December 31, 2025, the loan was brought current. And as of March 31, we're pleased to announce that we've moved the loan back to accrual status after three consecutive months of timely payment and demonstration of sustained performance improvement which we expect to lead to the ability to continue to meet debt service obligations.

This is a prime example of how we utilize the operational and workout expertise amongst our team and the broader Chicago Atlantic platform, using creativity and deal management to drive successful turnaround efforts. As of March 31, 2026, approximately 4.8% of our portfolio is on nonaccrual status, a decrease from approximately 11.1% as of December 31, 2025, primarily relating to the restoration of loan number nine to accrual.

As of March 31, 2026, our portfolio consisted of 35.2% fixed rate loans and 64.8% floating rate loans, 71.9% and 28.1% of floating rate loans are benchmarked to the prime rate and SOFR, respectively. With the current prime rate at 6.75%, 100% of our prime loans are at their floors.

In total, approximately only 4% of our loan principal is exposed to further rate declines across the total portfolio. Importantly, our floating rate loans are not exposed to interest rate caps which, combined with our rate floor protections, provides a structural advantage in portfolio construction that compares favorably to most other mortgage REITs. Total leverage equaled 38% of book equity at March 31 compared to 32% as of December 31. As of March 31, we had \$67.1 million outstanding on our senior secured revolving credit facility and \$49.4 million outstanding on our unsecured term loan. As of today, we have approximately \$59 million available on the senior credit facility and total liquidity, net of estimated liabilities of approximately \$54 million.

I'll now turn it over to Phil.

Phillip Silverman^ Thanks, David. Our net interest income of \$13.1 million for the first quarter represented a \$1.2 million or 8% decrease from \$14.2 million during the fourth quarter of 2025. The decrease was primarily attributed to the fourth quarter collection of past due unaccrued interest on loan number nine totaling \$1.7 million which was recognized last quarter. Total interest expense including noncash amortization of financing costs for the first quarter of 2026 was approximately \$2 million, an increase from \$1.8 million in the fourth quarter. The weighted average borrowings on our revolving loan increased to \$48 million compared to \$33.6 million during the fourth quarter. Our CECL reserve on our loans held for investment as of March 31, 2026, was approximately \$8.7 million.

On a relative size basis, our reserve for expected credit losses represents 2.1% of our outstanding principal of our loans held for investment. The reserve increased by approximately \$3.8 million from the fourth quarter, primarily due to increases in LTV attributed to specific loans, primarily loan number four, 34, and loan number 36.

On a weighted average basis, our portfolio maintained strong real estate coverage of 1.2x. Distributable earnings per weighted average share on a basic and fully diluted basis were approximately \$0.47 and \$0.46 for the first quarter. In April, we distributed the fourth quarter dividend of \$0.47 per common share declared by our Board. Since inception, the company has distributed \$8.94 per common share in dividends which represents a yield on cost of approximately 11.8% when measured against our IPO price. Our book value per common share outstanding was \$14.39 as of March 31, 2026, and there were approximately 21.5 million common shares outstanding on a fully diluted basis as of such date. During the subsequent period from April 1, 2026, through today the company advanced new growth loan principal of approximately \$15.8 million, comprised of \$13.1 million advanced to a new borrower and \$2.7 million to existing borrowers on delayed draw on existing credit facilities.

Additionally, the company received a total of \$14.3 million in loan repayments, comprised of \$1.8 million of scheduled amortization and \$12.5 million in early prepayments which included the full repayment of loans number six and number 30. We expect to continue to maintain a dividend payout ratio based on our basic distributable earnings per share of 90% to 100% for the 2026 tax year. If our taxable income requires additional distributions in excess of the regular quarterly dividend to meet our taxable income requirements, we expect to meet that requirement with a special dividend in the fourth quarter.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question comes from Pablo Zuanic from Zuanic & Associates.

Pablo Zuanic^ Thanks, Peter, for the commentary on the regulatory front and of course the positive news that we've been receiving recently. I just want to start with loan number 36. Obviously four and 34 are Arizona loans, and we know that's a tough market for growers. You mentioned four and 34 are in accruals or part of the reserve. In the case of 36, that's an Illinois loan, right? And it's a larger loan, \$27 million. Whatever color you can provide more on that loan would be helpful.

Arizona I understand, Illinois, of course we've see forefront and other companies have issues there. But if you can just give more color on that particular loan number 36 would be helpful, please. Especially in the context that was issued in December 2024, which is not that long ago, I think.

Peter Sack^ Thank you. Illinois market is experiencing consolidation on the retail front and I think it is experiencing increasing competition on cultivation. This one in particular, has strong real estate coverage and is a vertically integrated operator. The -- I think the reserving activity reflects our ordinary course evaluation of portfolio company performance and risk.

The discussions with the borrower are very constructive. We expect that this can be -- this company's performance can be improved and resolved in a constructive and collaborative manner. I'm hopeful that in the months ahead, we'll find this reserving activity conservative. But regardless, this is part of our ongoing process to show reserving activity that reflects a conservative appreciation of performance in the portfolio.

Pablo Zuanic^ On the same topic, Peter, can you give an update on loans four and 34?

Peter Sack^ These continue to be -- continue to evolve. I think it's too early to give specific updates, but they are constructive relationships.

Pablo Zuanic^ And by the same token, in the case of loan number nine, back into accruals, like you said, you were actively involved with them on a collaborative basis. I'm just trying to understand the potential for loans in the portfolio that can be equitized or where you can succeed in bringing new buyers to those loans. I mean how should we think about that as an opportunity going forward for the book?

Peter Sack^ I think it's important to contrast loan number nine with other reserving activities within the portfolio, and loan number nine was a foreclosure process, was a judicial foreclosure process. That takes a substantial longer amount of time for resolution than when challenging situations within portfolio companies can be resolved constructively and collaboratively. I'd say that the markets for assets that are undergoing challenges have improved significantly over the last year as expectations for rescheduling have moved from speculative to more definitive to, in the case of medical operators, executed.

And this is both an environment that is constructive and positive for deploying capital and for finding solutions within the book, whether that's finding new equity investors, executing operational change or working towards an exit. This is a better environment for both deployment and reorganization and problem solving than really we've seen in the last three years.

Pablo Zuanic^ Right. Then on the topic of the unscheduled repayments, thank you for the table. You showed in the press release today about \$48 million unscheduled repayment in the first quarter. I think Phil mentioned another \$15 million so far in the second quarter. Is that out of the norm? I'm just trying to understand what's driving those early repayments or that's just normal part for the course.

Peter Sack^ These are part of the course and we labeled them unscheduled, but unscheduled doesn't mean necessarily mean a surprise. These were loans that many -- a few of them were nearing their maturity date.

Pablo Zuanic^ Look, a couple of more, and apologies if there's someone else in the Q&A queue. Looking at the 10-Q, loan number 45 in Canada, I don't know if that's the first time you've done a loan outside of the U.S., but can you comment on that? And more in general, opportunities in international, Europe and even more in Canada?

Peter Sack^ It's not the first -- maybe the first time that REFI has executed a loan outside the U.S. but not the first time that Chicago Atlantic as a platform has executed a loan outside the U.S. and in Canada.

I think we're finding that in the Canadian market, there has been stabilization of the market in some cases and rationalization of the market in terms of unprofitable operators leaving. That's given room and air for profitable, well-executing operators to rise the top, be recognized to show strong results and to provide opportunities for lenders to provide capital at very strong risk-adjusted returns. And I think in the past, we just haven't seen that opportunity set arise so meaningfully and so specifically and clearly. But I think we

see this happen in a lot of markets that are oversaturated that they go through a period of rationalization. And after that rationalization, pockets of opportunity emerge.

Pablo Zuanic^ One last one. I know we've talked --

Operator^ Sorry to interrupt Mr. Zuanic. Maybe I request you to return to the queue for any follow-up questions, please? Thank you. You have the next question coming from the line of Chris Muller with Citizens Capital Markets.

Christopher Muller^ So I wanted to ask some clarifications around Schedule III that you may or may not know the answers to at this point. I guess first off, what percentage of your guys' portfolio is medical? And I guess how is that determined? Is that done at the license level which my understanding is some states have adult-use licenses? Or is it determined by the end user being either medical or rec?

Peter Sack^ Most of our borrowers that are operating as adult use are also operating as medical operators. And each of them then parse their revenue by medical versus adult use, but they can be those medical and adult-use sales in many cases, can be operating out of the same dispensary. We haven't published what is medical or versus adult use. I'm hopeful that within the year of 2026 that it's irrelevant, that the administrative hearings that are scheduled for June and July proceed, that adult use is rescheduled as well. And the industry doesn't have to go through this exercise of analyzing what's medical and what's adult use that it can proceed to operate each businesses seamlessly. But we shall see.

I think the -- if adult-use measures and progress around adult-use rescheduling falters or slows down, then I think you're going to see a lot of work among our borrowers to parse medical versus adult-use operations to allocate costs optimally between their medical and adult-use operations to maximize tax efficiency. I think you're also going to see state regulators perhaps adjusting the definitions within their adult-use program to shift more of their operations towards what they can call and designate a medical program. But I hope those types of acrobatics are unnecessary because the administration has executed on its pathway to reschedule the entire supply chain.

Christopher Muller^ Got it. That's helpful. I think I saw California is doing something along those lines which I agree with you. Hopefully, that's relevant and full Schedule III gets done in June, but we'll see how that plays out. Then I guess on the CECL reserve increase in the quarter, and I may have missed this in your guys' prepared remarks, but was that increase specific or general reserves? And how are you guys thinking about the impact on CECL reserves following Schedule III?

Peter Sack^ That reserve activity was a mix of both specific and general. The -- I should note that, that reserve activity reflects the market and discount rates and valuations and loan to values as of 3/31, and they do not reflect the subsequent events of rescheduling market activity and discount rates thereafter. I think generally, the rescheduling is a -- I

think the rescheduling is a credit positive for all of our borrowers and even those that don't have significant medical revenues.

Christopher Muller^ Should we expect to see some CECL releases throughout 2026 as those 280E issues work through the companies?

Peter Sack^ It's certainly possible. It would be a reflection, not necessarily directly of rescheduling, but it would be a reflection of the inputs that a reflection of market sentiment, loan to values, cash flow calculations flowing through to the inputs that drive our CECL reserve policies and behaviors.

Christopher Muller^ Great to hear we finally got some positive news in the sector.

Operator^ The next question comes from Aaron Grey with Alliance Global Partners.

Aaron Grey^ First question, obviously there's a hope that we get the full plant rescheduled late summer, fall following the hearings. But potentially in the near term or if full plant reschedule, it takes a little bit more time. In this scenario, do you potentially get a little bit more aggressive in medical-only states where you know you have the removal of 280E? Or does that change any of the potential near-term landscape opportunities?

Peter Sack^ I think it does allow us -- what's the -- it allows us to be -- to reflect in our underwriting the different tax treatment of medical revenues versus adult-use revenues. I think it drives us to -- we will have to -- if adult-use does not proceed on adult-use sales, then it will lead to, I think different lenses for medical versus adult use only because it drives different cash flow dynamics of the operators. That is the fundamental basis of which I think all underwriters at this space will need to adjust. Again I hope it's not needed. But if the fundamentals of cash flows are to be reflected in this, and it will be reflected in our underwriting and deployment as well.

Aaron Grey^ That's helpful color. A lot of people in industry talk about potential impact of the hemp ban coming to fruition in November, having a broader impact on the legal cannabis market. Curious to your view on that and your borrowers, potentially there being that come to fruition and helping out the fundamentals of your borrowers and your view on that.

Peter Sack^ I've absolutely heard anecdotal feedback that the hemp ban has driven revenue increases, particularly in states that have a larger prevalence of smoke shops and these types of black market hemp CBD and cannabis-adjacent products. I think it's been difficult to find a direct link in the data, but certainly anecdotal and correlative links between the hemp ban and regulated cannabis sales.

Aaron Grey^ Okay. Great. Just last question for me. In terms of liquidity and pipeline, any color on timing to having some things in the pipeline come to fruition with the liquidity you still have available?

Peter Sack^ I think it's -- our pipeline tends to refresh itself every three to six months. In that period of time we have the opportunity to explore whether these transactions that are in the pipeline are transactions that we seek to close or transactions that end up not being worthy of closing. But it's -- I think it's difficult to forecast within that timeframe of what that deployment will be for better or worse.

In this -- I'll point out that in this quarter, we have released our -- at investors' request, we have released a breakdown between Canada -- between real estate backed and non-real estate loans within our portfolio in an effort to give our investors a better view into what portion of our pipeline is more directly fit for Chicago Atlantic real estate financing.

Operator^ As there are no further questions from the participants, this concludes our question-and-answer session. Also the conference has now concluded. We thank you for attending today's presentation. And you may now disconnect.