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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

Commission File Number: 001-41123

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

(Exact name of Registrant as specified in its charter)

Maryland	**86-3125132**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1680 Michigan Avenue, Suite 700 **Miami Beach, FL**	**33139**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 809-7002

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	REFI	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 3, 2024
Common stock, $0.01 par value	19,100,282

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (unaudited)	December 31, 2023
Assets		
Loans held for investment	$ 359,317,126	$ 337,238,122
Loans held for investment - related party (Note 7)	16,527,188	16,402,488
Loans held for investment, at carrying value	375,844,314	353,640,610
Current expected credit loss reserve	(5,356,018)	(4,972,647)
Loans held for investment at carrying value, net	370,488,296	348,667,963
Cash and cash equivalents	6,904,113	7,898,040
Other receivables and assets, net	5,143,318	705,960
Interest receivable	926,852	1,004,140
Related party receivables	192,354	107,225
Debt securities, at fair value	-	842,269
Total Assets	**$ 383,654,933**	**$ 359,225,597**
Liabilities		
Revolving loan	$ 81,250,000	$ 66,000,000
Dividend payable	9,007,244	13,866,656
Related party payables	1,819,428	3,243,775
Management and incentive fees payable	1,754,741	2,051,531
Accounts payable and other liabilities	1,342,872	1,135,355
Interest reserve	2,519,871	1,074,889
Total Liabilities	**97,694,156**	**87,372,206**
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, par value $0.01 per share, 100,000,000 shares authorized and 19,100,282 and 18,197,192 shares issued and outstanding, respectively	191,003	181,972
Additional paid-in-capital	291,858,521	277,483,092
Accumulated deficit	(6,088,747)	(5,811,673)
Total stockholders' equity	**285,960,777**	**271,853,391**
Total liabilities and stockholders' equity	**$ 383,654,933**	**$ 359,225,597**

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

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

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Revenues		
Interest income	$ 15,343,667	$ 16,527,304
Interest expense	(2,104,050)	(1,618,296)
Net interest income	13,239,617	14,909,008
Expenses		
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
Total expenses	4,506,438	4,216,659
Change in unrealized gain on debt securities, at fair value	(75,604)	-
Realized gain on debt securities, at fair value	72,428	-
Net Income before income taxes	**8,730,003**	**10,692,349**
Income tax expense	-	-
Net Income	**$ 8,730,003**	**$ 10,692,349**
Earnings per common share:		
Basic earnings per common share	$ 0.48	$ 0.60
Diluted earnings per common share	$ 0.47	$ 0.60
Weighted average number of common shares outstanding:		
Basic weighted average shares of common stock outstanding	18,273,919	17,879,444
Diluted weighted average shares of common stock outstanding	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)

THREE MONTHS ENDED MARCH 31, 2024

	Common Stock		Additional Paid-In-Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2023	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
Balance at March 31, 2024	19,100,282	$ 191,003	$ 291,858,521	$ (6,088,747)	$ 285,960,777

THREE MONTHS ENDED MARCH 31, 2023

	Common Stock		Additional Paid-In-Capital	Accumulated Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2022	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
Balance at March 31, 2023	18,088,683	$ 180,887	$ 274,925,072	$ (2,982,631)	$ 272,123,328

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

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

	For the three months ended March 31, 2024	2023
Operating activities		
Net income	$ 8,730,003	$ 10,692,349
Adjustments to reconcile net income to net cash provided by operating activities:		
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)
Net cash provided by operating activities	**6,917,872**	**1,702,067**
Cash flows from investing activities		
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
Net cash (used in)/provided by investing activities	**(18,717,355)**	**25,316,886**
Cash flows from financing activities		
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)
Net cash provided by/(used in) financing activities	**10,805,556**	**(28,093,875)**
Net decrease in cash and cash equivalents	**(993,927)**	**(1,074,922)**
Cash and cash equivalents, beginning of period	**7,898,040**	**5,715,827**
Cash and cash equivalents, end of period	**$ 6,904,113**	**$ 4,640,905**
Supplemental disclosure of non-cash financing and investing activities		
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**
Supplemental information:		
Interest paid during the period	$ 1,786,333	$ 1,363,742

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

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(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, by and among the Company and the 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, 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-month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending 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 $6.9 million and $7.9 million of total cash and cash equivalents as of March 31, 2024 and December 31, 2023, respectively.

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.

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.

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, 2023 and December 31, 2022. Based on the Company's evaluation, there is no reserve for any uncertain income tax positions as of March 31, 2024. Accrued interest and penalties, if any, are included within accounts payable and other liabilities in the balance sheets.

Recent Accounting Pronouncements

In November 2023, the 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 ("CODM"), an explanation of how the CODM utilizes reported profit or loss measures to assess segment performance, and certain segment-related disclosures on an interim basis, which were previously required only annually. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, early adoption is permitted. The adoption of this guidance is not expected to have a 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 March 31, 2024 and December 31, 2023, the Company's portfolio was comprised of loans to 28 and 27 borrowers, respectively, that the Company has the ability and intent to hold until maturity or payoff. The portfolio of loans held for investment are reported on the consolidated balance sheets at amortized cost. The Company's aggregate loan commitments and outstanding principal were approximately $401.3 million and $378.8 million, respectively, as of March 31, 2024, and $377.6 million and $351.4 million, respectively as of December 31, 2023. During the three months ended March 31, 2024, the Company funded approximately $22.4 million in new loan principal.

As of March 31, 2024 and December 31, 2023, approximately 76.6% and 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 $287.7 million and $284.5 million as of March 31, 2024 and December 31, 2023, respectively.

The remaining 23.4% and 19.5% of the portfolio was comprised of fixed rate loans that had a carrying value of approximately $88.1 million and $69.1 million as of March 31, 2024 and December 31, 2023, respectively.

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

	As of March 31, 2024			
	Outstanding Principal (1)	**Original Issue Discount**	**Carrying Value (1)**	**Weighted Average Remaining Life (Years) (2)**
Senior Term Loans	$ 377,576,334	$ (1,732,020)	$ 375,844,314	2.0
Current expected credit loss reserve	-	-	(5,356,018)	
Total loans held at carrying value, net	**$ 377,576,334**	**$ (1,732,020)**	**$ 370,488,296**	

	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)	
Total loans held at carrying value, net	**$ 355,745,305**	**$ (2,104,695)**	**$ 348,667,963**	

(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 three months ended March 31, 2024 and 2023.

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
Balance at December 31, 2023	**$ 355,745,305**	**$ (2,104,695)**	**$ (4,972,647)**	**$ 348,667,963**
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)
Balance at March 31, 2024	**$ 377,576,334**	**$ (1,732,020)**	**$ (5,356,018)**	**$ 370,488,296**

(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.

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
Balance at December 31, 2022	**$ 343,029,334**	**$ (3,755,796)**	**$ (3,940,939)**	**$ 335,332,599**
New fundings	34,060,000	(1,118,340)	-	32,941,660
Principal repayment of loans	(45,754,443)	-	-	(45,754,443)
Accretion of original issue discount	-	908,873	-	908,873
Sale of loan (2)	(13,399,712)	-	-	(13,399,712)
PIK Interest	2,256,228	-	-	2,256,228
Current expected credit loss reserve	-	-	(110,995)	(110,995)
Balance at March 31, 2023	**$ 320,191,407**	**$ (3,965,263)**	**$ (4,051,934)**	**$ 312,174,210**

(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) One loan was reclassified as held for sale from loans held for investment as the decision was made to sell the loan during the three months ended March 31, 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).

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

Loan (1)	Location(s)	Initial Funding Date (1)	Maturity Date (2)	Total Commitment (3)	Principal Balance	Original Issue Discount	Carrying Value	Percentage 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	$ 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(18)	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(19)	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%
			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 the 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.

(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 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 4.00%

(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 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 March 31, 2024 and December 31, 2023. As of March 31, 2024 and December 31, 2023, there was one loan with principal greater than 90 days past due.

	As of March 31, 2024						
	Current Loans (1)	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due (2)	Total Past Due	Total Loans	Non-Accrual(2)
Senior Term Loans	$ 359,317,126	$ -	$ -	$ 16,527,188	$ 16,527,188	$ 375,844,314	$ 16,527,188
Total	$ 359,317,126	$ -	$ -	$ 16,527,188	$ 16,527,188	$ 375,844,314	$ 16,527,188

(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, 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)
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

(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

As of March 31, 2024 and December 31, 2023, there was one and two loans placed on non-accrual 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 $16.5 million and $16.4 million as of March 31, 2024 and December 31, 2023, respectively, and carries a reserve for current expected credit losses of approximately $1.3 million as of March 31, 2024. 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 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 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. 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 65.7% of the portfolio, the fair value of the underlying real estate collateral exceeded the amounts outstanding under the loans as of March 31, 2024. The remaining approximately 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 March 31, 2024 and 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 March 31, 2024(1)(2)					As of December 31, 2023(1)(2)				
Rating	2024	2023	2022	2021	Total	2023	2022	2021	2020	Total
1	$ -	$ 760,000	$ 37,370,672	$ -	$ 38,130,672	$ 820,000	$ 37,644,911	$ -	$ -	$ 38,464,911
2	973,078	61,901,509	76,437,863	46,368,517	185,680,968	51,320,161	107,007,422	46,792,941	-	205,120,524
3	6,680,000	2,466,705	39,106,565	59,092,743	107,346,013	2,466,705	5,296,308	58,829,717	-	66,592,730
4	-	-	-	44,686,661	44,686,661	-	—	43,462,445	-	43,462,445
5	-	-	-	-	-	-	-	-	-	-
Total	$ 7,653,078	$ 65,128,214	$ 152,915,100	$ 150,147,921	$ 375,844,314	$ 54,606,866	$ 149,948,641	$ 149,085,103	$ -	$ 353,640,610

(1) Amounts are 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 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 March 31, 2024 and December 31, 2023:

	As of March 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
Fixed-rate	$ 2,466,705	$ 17,716,484	$ 44,488,442	$ -	$ 20,658,750	$ 2,010,090	$ 87,340,471
Floating-rate	126,010,679	38,866,605	69,642,441	-	-	53,984,118	288,503,843
	$ 128,477,384	$ 56,583,089	$ 114,130,883	$ -	$ 20,658,750	$ 55,994,208	$ 375,844,314

	As of December 31, 2023 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
Fixed-rate	$ 2,466,706	$ -	$ 49,041,867	$ 17,613,043	$ -	$ —	$ 69,121,616
Floating-rate	104,322,083	35,491,887	38,729,046	15,396,370	5,296,308	85,283,300	284,518,994
	$ 106,788,789	$ 35,491,887	$ 87,770,913	$ 33,009,413	$ 5,296,308	$ 85,283,300	$ 353,640,610

(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:

As of March 31, 2024			As of December 31, 2023		
Jurisdiction	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 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 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 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 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 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 three months ended March 31, 2024 and 2023 is presented in the table below.

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

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

The Company has made an accounting policy election to exclude accrued interest receivable 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 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 status.

4. INTEREST RECEIVABLE

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

	As of March 31, 2024	As of December 31, 2023
Interest receivable	$ 895,852	$ 973,140
Unused fees receivable	31,000	31,000
Total interest receivable	**$ 926,852**	**$ 1,004,140**

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

	As of March 31, 2024						
	Current Loans (1)	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due (and accruing)	Total Past Due	Total Loans	Non-Accrual(2)
Interest receivable	$ 926,852	$ -	$ -	$ -	$ -	$ 926,852	$ -
Total	**$ 926,852**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 926,852**	**$ -**

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

(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 March 31, 2024 and December 31, 2023, the Company had two and one loans, respectively, that included a prepaid interest reserve.

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

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

6. DEBT

The Company's revolving credit facility (the "Revolving Loan") had an original aggregate borrowing base of up to $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% and (y) 4.75%. The Company incurred debt issuance costs of $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 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 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 to $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 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, (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 March 31, 2024, the Company is in compliance with all financial covenants with respect to the Revolving Loan.

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

As of March 31, 2024, the Company had net borrowings of $81.3 million against the Revolving Loan. As of March 31, 2024, the Company had $18.7 million available under the Revolving Loan. Additionally, as of March 31, 2024, $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 months ended March 31, 2024 and 2023.

	Three months ended March 31,	
	2024	2023
Interest expense	$ 2,007,050	$ 1,440,992
Unused fee expense	6,085	10,000
Amortization of debt issuance costs	90,915	167,304
Total interest expense	**$ 2,104,050**	**$ 1,618,296**

7. RELATED PARTY TRANSACTIONS

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 months ended March 31, 2024 and 2023, the Base Management Fee payable was reduced by Outside Fees in the amount of $16,071 and $5,000, 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 months ended March 31, 2024 and 2023 was $696,504 and $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 months ended March 31, 2024 and 2023.

	For the three months ended March 31,	
	2024	**2023**
Affiliate Payments		
Management fees earned	$ 1,074,308	$ 1,031,799
Less: Outside Fees earned	(16,071)	(5,000)
Base management fees, net	1,058,237	1,026,799
Incentive fees	696,504	1,111,206
Total management and incentive fees earned	1,754,741	2,138,005
General and administrative expenses reimbursable to Manager	1,237,790	1,176,376
Total	$ 2,992,531	$ 3,314,381

General administrative expenses reimbursable to the Manager are included in the related party payable line item of the consolidated balance sheets as of March 31, 2024 and December 31, 2023. Total amounts payable to the Manager as of March 31, 2024 and

December 31, 2023 were approximately $3.6 million and $5.3 million, respectively, which included bonuses accrued of $0.8 million and $1.2 million which are not reimbursed until paid in cash by the 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 March 31, 2024 and December 31, 2023, 21 and 20 of the Company's loans were co-invested by affiliates of the Company, respectively.

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, the origination of the investment, the Company may elect to assign the right (the "Assigned Right") to the equity consideration to an affiliate, in exchange for an additional upfront fee in an amount equal to the fair value of the equity consideration on a pro-rata basis. There were no sales of Assigned Rights for the three month periods ended 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 was approved by the audit committee of the Board. The fair value approximated the carrying value of the loan of $19.0 million, plus accrued and unpaid interest through the purchase date of $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 was approved by the audit committee of the Board. The fair value approximated the carrying value of the loan of $13.4 million plus accrued unpaid interest of $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 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 $16.5 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 March 31, 2024 and December 31, 2023, the Company had the following unfunded commitments on existing loans.

		As of March 31, 2024		As of December 31, 2023
Total original loan commitments	$	401,257,040	$	378,849,998
Less: drawn commitments	$	(401,257,040)	$	(371,349,998)
Total undrawn commitments	**$**	**—**	**$**	**7,500,000**

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 March 31, 2024:

	Total	2024	2025	2026	2027	2028	Thereafter
Undrawn commitments	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving loan [1]	81,250,000	-	-	81,250,000	-	-	-
Total	**$ 81,250,000**	**$ -**	**$ -**	**$ 81,250,000**	**$ -**	**$ -**	**$ -**

Other Contingencies

The Company from time to time may be a party to litigation in the normal course of business. As of 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 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 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 March 31, 2024 and 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% 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.

There were 0 and 417 shares forfeited during the three months ended March 31, 2024 and 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 March 31, 2024 and December 31, 2023, the aggregate intrinsic value of our restricted stock awards was as follows:

	As of March 31, 2024		As of December 31, 2023	
	Outstanding	Vested	Outstanding	Vested
Aggregate intrinsic value	$ 5,677,200	$ 1,073,937	$ 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 three months ended March 31, 2024 and 2023.

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

	Three months ended March 31, 2023	Weighted Average Grant Date Fair Value per Share
Balance at December 31, 2022	80,984	$ 15.71
Vested	(6,952)	$ 16.00
Forfeited	(417)	$ 16.00
Unvested Balance at March 31, 2023	73,615	$ 15.68

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 $531,293 and $138,335 for the three months ended March 31, 2024 and 2023, respectively. The unamortized share-based compensation expense for the Company was approximately $4.0 million and $1.1 million as of March 31, 2024 and 2023, respectively, which the Company expects to recognize over the remaining weighted-average term of 1.9 years.

At-the-Market Offering Program ("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 March 31, 2024, the Company sold an aggregate of 896,443 shares of the Company's common stock under the Sales Agreement at a weighted average price of $15.93 per share, generating net proceeds of approximately $13.9 million.

As of 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 months ended March 31, 2024 and 2023, respectively:

	For the three months ended March 31,			
	2024		2023	
Net income attributable to common stockholders	$	8,730,003	$	10,692,349
Divided by:				
Basic weighted average shares of common stock outstanding		18,273,919		17,879,444
Diluted weighted average shares of common stock outstanding		18,640,492		17,960,103
Basic earnings per common share	**$**	**0.48**	**$**	**0.60**
Diluted earnings per common share	**$**	**0.47**	**$**	**0.60**

There were no anti-dilutive shares excluded from the computations of earnings per common share for the three months ended March 31, 2024 and 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:

	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:

		As of March 31, 2024				As of December 31, 2023			
	Level in Fair Value Hierarchy	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 Amount		Taxable Ordinary Income		Return of Capital		Section 199A Dividends	
Regular cash dividend	3/28/2024	4/15/2024	$	0.47	$	0.47	$	-	$	0.47
Total cash dividend			**$**	**0.47**	**$**	**0.47**	**$**	**-**	**$**	**0.47**

	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
Total cash dividend			**$**	**0.47**	**$**	**0.47**	**$**	**-**	**$**	**0.47**

14. SUBSEQUENT EVENTS

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.

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 by 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. 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 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(1)
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);

- 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 months ended March 31, 2024, 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 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

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. Periods of rising interest rates, may over time cause:

- the interest expense associated with our borrowings to increase, subject to any applicable ceilings, which could 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 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. 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 March 31, 2024, 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 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 First Quarter of 2024

Updates to Our Loan Portfolio during the First Quarter of 2024

In February 2024, we entered into an amendment to Loan #16, which modified certain financial covenants. No monetary terms of the loan were modified in connection with the 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 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 $16.5 million and a reserve for current expected credit losses of approximately $1.3 million.

Subsequent Updates to Our Loan Portfolio

During the period from 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.

Dividends Declared Per Share

During the three months ended 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 April 15, 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.

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 March 31, 2024 and 2023

	For the three months ended March 31,		Variance	
	2024	2023	Amount	%
Revenues				
Interest income	$ 15,343,667	$ 16,527,304	$ (1,183,637)	-7%
Interest expense	(2,104,050)	(1,618,296)	(485,754)	30%
Net interest income	13,239,617	14,909,008	(1,669,391)	-11%
Expenses				
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%
Total expenses	4,506,438	4,216,659	289,779	7%
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%
Net Income before income taxes	**8,730,003**	**10,692,349**	**(1,962,346)**	-18%
Income tax expense	-	-	-	-
Net Income	**$ 8,730,003**	**$ 10,692,349**	**$ (1,962,346)**	**-18%**

- 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 fewer unscheduled principal repayments during the first quarter of 2024 and 2023. Unscheduled repayments generated approximately $0.1 million and $1.0 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 bears 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.

- 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.

- o 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 the reserve than loans originated as of March 31, 2023. As of March 31, 2024 approximately 59.5% of our loans carry a risk rating of "1" or 2".

- o The current expected credit loss reserve represents approximately 140 basis points of our aggregate loan commitments held at carrying value of approximately $5.4 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 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 March 31, 2024 and December 31, 2023, our portfolio included 28 and 27 loans held for investment, of approximately $375.8 million and $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 $401.3 million and $378.8 million and outstanding principal was approximately $377.6 million and $355.7 million as of March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024 and December 31, 2023, our loan portfolio had a weighted-average yield-to-maturity internal rate of return ("YTM IRR") of 19.4%, 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 March 31, 2024 and December 31, 2023, approximately 76.6% and 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 7.50% 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% as of December 31, 2023. The below summarizes our portfolio as of March 31, 2024:

Loan (1)	Location(s)	Initial Funding Date (1)	Maturity Date (2)	Total Commitment (3)	Principal Balance	Original Issue Discount	Carrying Value	Percentage 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	$ 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[18]	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[19]	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%
			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 the 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, 2024.

(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 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 4.00%

(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 balance sheet as a loan held for investment – related party (Note 7).

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

	As of March 31, 2024			
	Outstanding Principal (1)	Original Issue Discount	Carrying Value (1)	Weighted Average Remaining Life (Years) (2)
Senior Term Loans	$ 377,576,334	$ (1,732,020)	$ 375,844,314	2.0
Current expected credit loss reserve	-	-	(5,356,018)	
Total loans held at carrying value, net	**$ 377,576,334**	**$ (1,732,020)**	**$ 370,488,296**	

	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)	
Total loans held at carrying value, net	**$ 355,745,305**	**$ (2,104,695)**	**$ 348,667,963**	

(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 for investment at carrying value as of and for the three months ended March 31, 2024 and 2023:

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
Balance at December 31, 2023	**$ 355,745,305**	**$ (2,104,695)**	**$ (4,972,647)**	**$ 348,667,963**
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)
Balance at March 31, 2024	**$ 377,576,334**	**$ (1,732,020)**	**$ (5,356,018)**	**$ 370,488,296**

(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)
Balance at December 31, 2022	**$ 343,029,334**	**$ (3,755,796)**	**$ (3,940,939)**	**$ 335,332,599**
New fundings	34,060,000	(1,118,340)	-	32,941,660
Principal repayment of loans	(45,754,443)	-	-	(45,754,443)
Accretion of original issue discount	-	908,873	-	908,873
Sale of loan (2)	(13,399,712)	-	-	(13,399,712)
PIK Interest	2,256,228	-	-	2,256,228
Current expected credit loss reserve	-	-	(110,995)	(110,995)
Balance at March 31, 2023	**$ 320,191,407**	**$ (3,965,263)**	**$ (4,051,934)**	**$ 312,174,210**

(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 loan origination costs. Outstanding principal balance includes capitalized 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 three months ended March 31, 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.

We may make modifications to loans, including loans that are in default. Loan terms that may be modified include interest rates, required prepayments, maturity dates, covenants, principal amounts and other loan terms. The terms and conditions of each modification vary based on individual circumstances and will be determined on a case by case basis. Our Manager monitors and evaluates each of our loans held for investment and has maintained regular communications with borrowers regarding potential impacts on our loans.

Non-GAAP Measures and Key Financial Measures and Indicators

As a commercial mortgage real estate investment trust, we believe the key financial measures and indicators for our business are Distributable Earnings, Adjusted Distributable Earnings, book value per share, and dividends declared per share.

Distributable Earnings and Adjusted Distributable Earnings

In addition to using certain financial metrics prepared in accordance with GAAP to evaluate our performance, we also use Distributable Earnings and Adjusted Distributable Earnings to evaluate our performance. Each of Distributable Earnings and Adjusted Distributable Earnings is a measure that is not prepared in accordance with GAAP. We define Distributable Earnings as, for a specified period, the net income (loss) computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period; provided that Distributable Earnings does not exclude, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash, (iv) provision for current expected credit losses and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between our Manager and our independent directors and after approval by a majority of such independent directors. We define Adjusted Distributable Earnings, for a specified period, as Distributable Earnings excluding certain non-recurring organizational expenses (such as one-time expenses related to our formation and start-up).

We believe providing Distributable Earnings and Adjusted Distributable Earnings on a supplemental basis to our net income as determined in accordance with GAAP is helpful to stockholders in assessing the overall performance of our business. As a REIT, we are required to distribute at least 90% of our annual REIT taxable income and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of such taxable income. Given these requirements and our belief that dividends are generally one of the principal reasons that stockholders invest in our common stock, we generally intend to attempt to pay dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our Board. Distributable Earnings is one of many factors considered by our Board in authorizing dividends and, while not a direct measure of net taxable income, over time, the measure can be considered a useful indicator of our dividends.

Distributable Earnings and Adjusted Distributable Earnings should not be considered as substitutes for GAAP net income. We caution readers that our methodology for calculating Distributable Earnings and Adjusted Distributable Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our reported Distributable Earnings and Adjusted Distributable Earnings may not be comparable to similar measures presented by other REITs.

The following table provides a reconciliation of GAAP net income to Distributable Earnings and Adjusted Distributable Earnings (in thousands, except per share data):

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Income	$ 8,730,003	$ 10,692,349
Adjustments to net income		
Stock based compensation	531,293	138,335
Amortization of debt issuance costs	90,915	167,304
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)	-
Distributable Earnings	$ 9,735,666	$ 11,094,107
Adjustments to Distributable Earnings	-	-
Adjusted Distributable Earnings	$ 9,735,666	$ 11,094,107
Basic weighted average shares of common stock outstanding (in shares)	18,273,919	17,879,444
Adjusted Distributable Earnings per Weighted Average Share	$ 0.53	$ 0.62
Diluted weighted average shares of common stock outstanding (in shares)	$ 18,640,492	17,960,103
Adjusted Distributable Earnings per Weighted Average Share	$ 0.52	$ 0.62

Book Value Per Share

The book value per share of our common stock as of March 31, 2024 and December 31, 2023 was approximately $14.97 and $14.94, respectively.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our stockholders, and meet other general business needs. We use significant cash to invest in loans, repay principal and interest on our borrowings, make distributions to our stockholders, and fund our operations.

Our primary sources of cash generally consist of unused borrowing capacity under our financing sources, the net proceeds of future offerings of equity or debt securities, payments of principal and interest we receive on our portfolio of assets and cash generated from our operating results. On a long-term basis, we expect that our primary sources of financing will be, to the extent available to us, through (a) credit facilities and (b) public and private offerings of our equity and debt securities. We may utilize other sources of financing to the extent available to us. As the cannabis industry continues to evolve and to the extent that additional states legalize cannabis, the demand for capital continues to increase as operators seek to enter and build out new markets. In the short-term, we expect the principal amount of the loans we originate to increase and that we will need to raise additional equity and/or debt financing to increase our liquidity. We expect to achieve this through recycling capital from loan paydowns, repayments, and sales of common stock related to our shelf registration statement.

As of March 31, 2024 and December 31, 2023, all of our cash was unrestricted and totaled approximately $6.9 million and $7.9 million, respectively. We believe that our cash on hand, capacity available under our Revolving Loan, and cash flows from operations for the next twelve months will be sufficient to satisfy the operating requirements of our business through at least the next twelve months. The sources of financing for our target investments are described below.

Credit Facility

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

As of and for the three months ended March 31, 2024, the Company had net borrowings of $15.3 million against the Revolving Loan. As of March 31, 2024, the Company had $18.7 million available and $81.3 million outstanding under the Revolving Loan (Note 6).

Capital Markets

We may seek to raise further equity capital and issue debt securities in order to fund our future investments in loans. Our Shelf Registration Statement became effective on January 19, 2023, allowing us to sell, from time to time in one or more offerings, up to $500 million of our securities, including common stock, preferred stock, debt securities, warrants and rights (including as part of a unit) to purchase shares of our common stock, preferred stock, or debt securities. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering. We may also access liquidity through our ATM Program, which was established in June 2023, pursuant to which we may sell, from time to time, up to $75.0 million of our common stock.

During the quarter ended March 31, 2024, the Company sold an aggregate of 896,443 shares of the Company's common stock under the Sales Agreement at a weighted average price of $15.93 per share, generating net proceeds of approximately $13.9 million.

Cash Flows

The following table sets forth changes in cash and cash equivalents for the three months ended March 31, 2024 and 2023, respectively:

	For the three months ended March 31, 2024	2023
Net income	$ 8,730,003	$ 10,692,349
Adjustments to reconcile net income to net cash used in operating activities and changes in operating assets and liabilities	(1,812,131)	(8,990,282)
Net cash provided by operating activities	6,917,872	1,702,067
Net cash (used in)/provided by investing activities	(18,717,355)	25,316,886
Net cash provided by/(used in) financing activities	10,805,556	(28,093,875)
Change in cash and cash equivalents	(993,927)	(1,074,922)

Net Cash Provided by Operating Activities

For the three months ended March 31, 2024 and 2023, we reported "Net cash provided by operating activities" of approximately $6.9 million and $1.7 million, respectively. Net cash provided by operating activities increased approximately $5.2 million, primarily attributable to a change in the interest reserve for applied interest payments of approximately $3.1 million, the sale of $0.8 million of debt securities, at fair value, an increase in interest receivable of approximately $3.0 million, a increase in provision for current expected credit losses of approximately $0.3 million, and a increase in accounts payable and accrued expenses of approximately $0.3 million. These changes were offset by a decrease in net income over the comparable period of approximately $2.0 million, an increase in PIK interest of approximately $0.8 million, an increase in related party net payable of approximately $0.1 million, an increase in management and incentive fees payable of approximately $0.3 million, an increase in stock based compensation of approximately $0.4 million, and $0.1 million in unrealized gain relating to the purchase of debt securities, at fair value, over the comparable period.

Net Cash (Used in)/Provided by Investing Activities

For the three months ended March 31, 2024 and 2023, we reported "Net cash (used in)/provided by investing activities" of approximately ($18.7) million and $25.3 million, respectively.

For the three months ended March 31, 2024, cash outflows primarily related to $22.4 million used for the origination and funding of loans held for investment, partially offset by $3.7 million of cash received from the principal repayment of loans held for investment.

For the three months ended March 31, 2023, cash outflows primarily related to $32.9 million used for the origination and funding of loans held for investment, partially offset by $13.4 million received from the sales of loans and $44.9 million of cash received from the principal repayment of loans held for investment.

Net Cash Provided by/(Used in) Financing Activities

For the three months ended March 31, 2024 and 2023, we reported "Net cash provided by/(used in) financing activities" of approximately $10.8 million and ($28.1) million, respectively.

For the three months ended March 31, 2024, cash inflows of approximately $9.8 million related to proceeds received from sales of our common stock through the registered at-the-market offering and $28.0 million related to draw downs on our Revolving Loan, which were offset by approximately $12.8 million in repayments on our Revolving Loan, $13.9 million in dividends paid, approximately $50 thousand in debt issuance costs paid, and approximately $340 thousand in offering costs associated with the registered at-the-market offering.

For the three months ended March 31, 2023, cash inflows of approximately $6.0 million related to proceeds received from the registered direct offering and $28.5 million related to draw downs on our Revolving Loan, which were offset by approximately $49.0 million in repayments on our Revolving Loan, $13.5 million in dividends paid, approximately $3 thousand in debt issuance costs paid, and approximately $105 thousand in offering costs associated with the registered direct offering.

Leverage Policies

Although we are not required to maintain any particular leverage ratio, we expect to employ prudent amounts of leverage and, when appropriate, to use debt as a means of providing additional funds for the acquisition of loans, to refinance existing debt or for general corporate purposes. Leverage is primarily used to provide capital for forward commitments until additional equity is raised or additional medium- to long-term financing is arranged. This policy is subject to change by management and our Board.

Dividends

We have elected to be taxed as a REIT for United States federal income tax purposes and, as such, anticipate annually distributing to our stockholders at least 90% of our REIT taxable income, prior to the deduction for dividends paid and our net capital gain. If 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 (i) 85% of our ordinary income for the calendar year, (ii) 95% of our capital gain net income for the calendar year and (iii) any 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 non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. 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. 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. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If we determine that our estimated current year taxable income (including net capital gain) will be in excess of estimated dividend distributions (including capital gains dividends) for the current year from such income, we accrue excise tax on a portion of the estimated excess taxable income as such taxable income is earned.

To the extent that our cash available for distribution is less than the amount required to be distributed under the REIT provisions of the Code, we may be required to fund distributions from working capital or through equity, equity-related or debt financings or, in certain circumstances, asset sales, as to which our ability to consummate transactions in a timely manner on favorable terms, or at all, cannot be assured, or we may make a portion of the Required Distribution in the form of a taxable stock distribution or distribution of debt securities.

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

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

	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
Total cash dividend			**$ 0.47**	**$ 0.47**	**$ -**	**$ 0.47**

CECL Reserve

In accordance with ASC 326, we record allowances for our 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. We consider multiple datapoints and methodologies that may include likelihood of default and expected loss given default for each individual loans, valuations derived from discounted 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.

We evaluate our 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 have 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 our loan portfolio, and (iv) our current and future view of the macroeconomic environment. From time to time, we may consider loan-specific qualitative factors on certain loans to estimate our 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 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 our portfolio, we evaluate our historical loan performance, which includes zero realized loan losses since our inception of operations. Additionally, we analyzed our repayment history, noting we have limited "true" operating history, since the incorporation date of March 30, 2021. However, our Sponsor has had operations for the past three fiscal years and has 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 our portfolio, management considered it appropriate to consider the past repayment history of loans originated by the Sponsor in determining the extent to which we should record a CECL Reserve.

In addition, we review each loan on a quarterly basis and evaluate the borrower's ability to pay the monthly interest and principal, if required, as well as the loan-to-value (LTV) ratio. In considering the potential current expected credit loss, the Manager primarily considers significant inputs to our 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, ratio 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 our 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. We rely primarily on comparable transactions to estimate enterprise value of our 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 the quarter end, to which we apply a private company discount based on our current borrower profile. These estimates may change in future periods based on available future macro-economic data and might result in a material change in our future estimates of expected credit losses for our loan portfolio.

Regarding real estate collateral, we generally cannot take the position of mortgagee-in-possession as long as the property is used by a cannabis operator, but we can request that the court appoint a receiver to manage and operate the subject real property until the foreclosure proceedings are completed. Additionally, while we 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 our portfolio, we utilize historical market loan loss data obtained from a third-party database for commercial real estate loans, which we believe is a reasonably comparable and available data set to use as an input for our type of loans. We expect 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, we revert 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 our CECL Reserve. As we acquire new loans and our Manager monitors loan and borrower performance, these estimates will be revised each period.

Risk Ratings

We assess the risk factors of each loan, and assign 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, enterprise value of the portfolio company, loan structure and exit strategy, and project sponsorship. This review is performed quarterly. Based on a 5-point scale, our 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 March 31, 2024 and December 31, 2023 consider borrower specific credit history and performance and quarterly re-evaluation of overall current macroeconomic conditions affecting the 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. 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 65.7% of the portfolio, the fair value of the underlying real estate collateral exceeded the amounts outstanding under the loans as of March 31, 2024. The remaining approximately 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.

As of March 31, 2024 and December 31, 2023, the carrying value, excluding the CECL Reserve, of the Company's loans within each risk rating by year of origination is as follows:

Risk Rating	As of March 31, 2024(1)(2) 2024	2023	2022	2021	Total	As of December 31, 2023(1)(2) 2023	2022	2021	2020	Total
1	$ -	$ 760,000	$ 37,370,672	$ -	$ 38,130,672	$ 820,000	$ 37,644,911	$ -	$ -	$ 38,464,911
2	973,078	61,901,509	76,437,863	46,368,517	185,680,968	51,320,161	107,007,422	46,792,941	-	205,120,524
3	6,680,000	2,466,705	39,106,565	59,092,743	107,346,013	2,466,705	5,296,308	58,829,717	-	66,592,730
4	-	-	-	44,686,661	44,686,661	-	—	43,462,445	-	43,462,445
5	-	-	-	-	-	-	-	-	-	-
Total	$ 7,653,078	$ 65,128,214	$ 152,915,100	$ 150,147,921	$ 375,844,314	$ 54,606,866	$ 149,948,641	$ 149,085,103	$ -	$ 353,640,610

(1) Amounts are 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" as of March 31, 2024 and December 31, 2023.

Accounting Policies and Estimates

As of March 31, 2024, there were no significant changes in the application of our accounting policies or estimates from those presented in our annual report on Form 10-K. Refer to Note 2 to our consolidated financial statements for the three months ended March 31, 2024, titled "*Significant Accounting Policies*" for information on recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to fluctuations in interest rates. Our loans are typically valued using a yield analysis, which is typically performed for performing loans to borrowers. Changes in market yields may change the fair value of certain of our loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of our loans, however this is mitigated to the extent our loans bear interest at a floating rate. As of March 31, 2024, we had 21 floating-rate loans, representing approximately 76.6% of our loan portfolio based on aggregate outstanding principal balances, subject to a Prime Rate floor. We estimate that a hypothetical 100 basis points increase in the Prime Rate would result in an increase in annual cash interest income, excluding the effects of PIK interest, of approximately $2.9 million and a 100 basis points decrease in the Prime Rate would result in a decrease in annual interest income of approximately $2.9 million. Our loans generally have a Prime Rate floor established at the prevailing Prime Rate at the time of origination. Refer to Note 3 for Prime Rate floor by loan.

In addition, our Revolving Loan is exposed to similar market risks. Changes in market rates may change the fair value of our Revolving Loan as our loan bears interest at the greater of (1) the Prime Rate plus the applicable margin and (2) 3.25%. As of March 31, 2024, we had an outstanding balance of $81.3 million under the Revolving Loan. Based on our outstanding balance as of March 31, 2024, we estimate that a hypothetical 100 basis points increase in the Prime Rate would result in an increase in annual cash interest expense, excluding unused fees, of approximately $0.8 million and a 100 basis points decrease in the Prime Rate would result in a decrease in annual interest expense of approximately $0.8 million. As of December 31, 2023, we had an outstanding balance of $66.0 million under the Revolving Loan. Based on our outstanding balance as of December 31, 2023, we estimate that a hypothetical 100 basis points increase in the Prime Rate would result in an increase in annual cash interest expense, excluding unused fees, of approximately $0.7 million and a 100 basis points decrease in the Prime Rate would result in a decrease in annual interest expense of approximately $0.7 million.

Changes in Market Interest Rates and Effect on Net Interest Income

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. Periods of rising interest rates, may over time cause:

- the interest expense associated with our borrowings to increase, subject to any applicable ceilings, which could 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 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. 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.

Risk Management

To the extent consistent with maintaining our REIT qualification and our exemption from registration under the Investment Company Act, we seek to manage risk exposure by closely monitoring our portfolio and actively managing the financing, interest rate, credit, prepayment and convexity (a measure of the sensitivity of the duration of a loan to changes in interest rates) risks associated with holding our portfolio of loans. Generally, with the guidance and experience of our Manager:

- we manage our portfolio through an interactive process with our Manager and service our self-originated loans through our Manager’s servicer;
- we invest in a mix of floating-rate and fixed-rate loans to mitigate the interest rate risk associated with the financing of our portfolio;

- we actively employ portfolio-wide and asset-specific risk measurement and management processes in our daily operations, including utilizing our Manager's risk management tools such as software and services licensed or purchased from third-parties and proprietary analytical methods developed by our Manager; and
- we seek to manage credit risk through our due diligence process prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate. In addition, with respect to any particular target investment, prior to origination or acquisition our Manager's investment team evaluates, among other things, relative valuation, comparable company analysis, supply and demand trends, shape-of-yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

Market Conditions

We provide loans to established companies operating in the cannabis industry which involves significant risks, including the risk of strict enforcement against our borrowers of the federal illegality of cannabis, our borrowers' inability to renew or otherwise maintain their licenses or other requisite authorizations for their cannabis operations, and such loans lack of liquidity, and we could lose all or part of any of our loans.

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 financial institutions can presently provide. Additionally, to the extent that additional states legalize cannabis, our addressable market will increase. While we intend to continue capitalizing on these opportunities and growing the size of our portfolio, we are aware that the competition for the capital we provide is increasing.

Our ability to grow or maintain our business depends on state laws pertaining to the cannabis industry. New laws that are adverse to our borrowers 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 our ability to grow and could materially adversely affect our business.

Management's plan to mitigate risks include monitoring the legal landscape as deemed appropriate. Also, should a loan default or otherwise be seized, we may be prohibited from owning cannabis assets and thus could not take possession of collateral, in which case we would look to sell the loan, which could result in us realizing a loss on the transaction.

While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain loans, particularly those not fully collateralized by real estate. In order to mitigate that risk, our loans are generally collateralized by other assets, 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, 66% of our portfolio is fully secured by real estate. Our portfolio on average had real estate collateral coverage of 1.3x as of March 31, 2024, and all of our loans are secured by equity pledges of the borrower and all asset liens. As of March 31, 2023, 86% of our portfolio was fully secured by real estate and 14% had limited or no real estate collateral. Our portfolio on average had real estate collateral coverage of 1.6x as of March 31, 2023 and all of our loans were secured by equity pledges of the borrower and all asset liens.

Credit Risk

We are subject to varying degrees of credit risk in connection with our loans and interest receivable. Our Manager seeks to mitigate this risk by seeking to originate loans, and may in the future acquire loans, of higher quality at appropriate prices given anticipated and unanticipated losses, by employing a comprehensive review and selection process and by proactively monitoring originated and acquired loans. Nevertheless, unanticipated credit losses could occur that could adversely impact our operating results. For additional information regarding the credit risk associated with our loans and interest receivables, see "*Risk Factors- Loans to relatively new and/or small companies and companies operating in the cannabis industry generally involve significant risks"* in our Annual Report on Form 10-K for the year ended December 31, 2023.

Our Manager or affiliates of our Manager have originated all of our loans and intend to continue to originate our loans, but we may in the future also acquire loans from time to time. Our Investment Guidelines are not subject to any limits or proportions with respect to the mix of target investments that we make or that we may in the future acquire other than as necessary to maintain our exemption from registration under the Investment Company Act and our qualification as a REIT. Our investment decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our capital that will be invested in any individual target investment at any given time.

Our loan portfolio as of March 31, 2024 and December 31, 2023, was concentrated with the top three borrowers representing approximately 27.1% and 28.7% of principal outstanding and approximately 24.4% and 26.4% of the total commitments, respectively. As of and for the three months ended March 31, 2024 and 2023, the top three borrowers represented approximately 29.7% and 25.9% of the total interest income, respectively. The largest loan represented approximately 10.4% and 10.9% of principal outstanding and approximately 8.9% and 9.7% of the total commitments as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, our borrowers have operations in the jurisdiction noted within the table below based on real estate collateral location or principal place of business:

As of March 31, 2024			As of December 31, 2023		
Jurisdiction	**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.

Real Estate Risk

Commercial real estate loans are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loan or loans, as the case may be, which could also cause us to suffer losses.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the forms and rules of the SEC and that such information is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In connection with the preparation of this quarterly report on Form 10-Q, our management, including the Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2024 to ensure that (a) information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the forms and rules of the SEC and (b) such information is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2024, we launched and adopted a new integrated ERP system, which replaced our existing core financial system. The system enhances efficiencies and simplifies our accounting and reporting processes. In conjunction with the implementation of the ERP system, our internal processes, procedures and controls have been updated accordingly.

Except as discussed in the preceding paragraph, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, we may be subject to various legal proceedings from time to time. We are not party to any material pending legal proceedings required to be disclosed pursuant to Item 103 of Regulation S-K.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition and/or results of operations. Except to the extent updated below or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors, there have been no material changes to the risk factors described in the "Risk Factors" sections in our Annual Report on Form 10-K for the year ended December 31, 2023. The risks described in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations.

Recent macroeconomic trends, including inflation and rising interest rates, may adversely affect our business, financial condition and results of operations.

During the three months ended March 31, 2024, inflation in the United States has remained at an elevated level and may remain at an elevated level in the near-term. Rising inflation could have an adverse impact on any variable rate debt we may incur in the future, and our general and administrative expenses, as these costs could increase at a rate higher than our interest income and other revenue. The Federal Reserve raised interest rates multiple times since January 2023 to combat inflation and restore price stability and rates may remain stable or continue to rise throughout the remainder of 2024. To the extent our borrowing costs increase faster than the interest income earned from our floating-rate loans, such increases may adversely affect our cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None of the Company's officers or directors have adopted, modified or terminated trading plans under either a Rule 10b5-1 or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933) for the three months ended March 31, 2024.

Item 6. Exhibits

Exhibit No.	Description of Exhibits
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*** Filed herewith**

SIGNATURES

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

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

Dated: May 7, 2024	By:	/s/ Peter Sack
		Peter Sack Co-Chief Executive Officer and Director (Principal Executive Officer)
Dated: May 7, 2024	By:	/s/ Phillip Silverman
		Phillip Silverman Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Peter Sack, Co-Chief Executive Officer of Chicago Atlantic Real Estate Finance, Inc., certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Chicago Atlantic Real Estate Finance, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

By: /s/ Peter Sack

Peter Sack
Co-Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINICPAL FINANCIAL OFFICER

I, Phillip Silverman, Chief Financial Officer of Chicago Atlantic Real Estate Finance, Inc., certify that:

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

Date: May 7, 2024

By: /s/ Phillip Silverman

Phillip Silverman
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Report") of Chicago Atlantic Real Estate Finance, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Peter Sack, the Co-Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 7, 2024

By: /s/ Peter Sack
Peter Sack
Co-Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the year ended March 31, 2024 (the "Report") of Chicago Atlantic Real Estate Finance, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Phillip Silverman, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 7, 2024

By: /s/ Phillip Silverman
Phillip Silverman
Chief Financial Officer
(Principal Financial Officer)