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

FORM 10-K

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

For the fiscal year ended December 31, 2023

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, par value $0.01 per share	REFI	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

The aggregate market value of the Registrant's common stock held by non-affiliates as of June 30, 2023 was approximately $242.1 million based upon the closing price reported for such date by the Nasdaq Global Market.

As of March 8, 2024, there were 18,197,192 shares of the Registrant's common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement relating to the 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent described therein.

Table of Contents

FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “should,” “could,” “may,” “plan” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future-including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results-are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, “Item 1A. Risk Factors” and elsewhere in this report and those described from time to time in reports that we have filed or in the future may file with the Securities and Exchange Commission.

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 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 this Annual Report.

PART 1

ITEM 1. BUSINESS

Overview

We are a commercial mortgage real estate investment trust ("REIT"). 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. From time to time, we may also invest in mezzanine loans, preferred equity or other forms of joint venture equity to the extent consistent with our exemption from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act") and maintaining our qualification as a REIT. We may enter into credit agreements with borrowers that permit them to incur debt that ranks equally with, or senior to, the loans we extend to such companies under such credit agreements. There is no assurance that we will achieve our investment objective. We commenced operations on March 30, 2021 and completed our initial public offering ("IPO") in December 2021.

We believe that cannabis operators' limited access to traditional bank and non-bank financing has provided attractive opportunities for us to make loans to companies that exhibit strong fundamentals but require more customized financing structures and loan products than regulated financial institutions can provide in the current regulatory environment. We believe that continued state-level legalization of cannabis for medical and adult use creates an increased loan demand by companies operating in the cannabis industry and property owners leasing to cannabis tenants. Furthermore, we believe we are differentiated from our competitors because we seek to target operators and facilities that exhibit lower-risk characteristics on a relative basis, which we believe include generally limiting exposure to ground-up construction, lending to cannabis operators with operational and/or profitable facilities, diversification of geographies and distribution channels, among other factors.

We are externally managed by Chicago Atlantic REIT Manager, LLC (our "Manager"). 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 allocating 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.

Our loans are generally secured by real estate and, when lending to owner-operators in the cannabis industry, also other collateral, such as equipment, receivables, intellectual property, licenses or other assets of the borrowers to the extent permitted by applicable laws and regulations governing such borrowers.

As of December 31, 2023, our portfolio is comprised primarily of first mortgage loans to established multi-state or single-state cannabis operators or property owners. In addition, we own approximately $0.8 million, at fair value, of publicly-traded corporate bonds issued by a multi-state cannabis operator. We consider cannabis operators to be established if they are state-licensed and are deemed to be operational and in good standing by the applicable state regulator. We do not own any warrants or other forms of equity in any of our portfolio companies that are involved in the cannabis industry, and we will not take warrants or equity in such issuers until permitted by applicable laws and regulations, including U.S. federal laws and regulations.

We impose strict loan covenants and seek personal or corporate guarantees for additional protection. As of December 31, 2023, 27.1% of the loans held in our portfolio based on outstanding principal, are backed by personal or corporate guarantees. We aim to maintain a diversified portfolio across jurisdictions and across verticals, including cultivators, processors, dispensaries, and other businesses ancillary thereto. 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.

We are an externally managed Maryland corporation that elected to be taxed as a REIT under Section 856 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our taxable year ended December 31, 2021. We believe that we have qualified 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 continuing to satisfy numerous asset, income and distribution tests described under "*—U.S. Federal Income Tax Considerations — Taxation",* 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.

Our Manager

We are externally managed by our Manager pursuant to our Management Agreement. Our senior management team is provided by our Manager and includes John Mazarakis, our Executive Chairman, Anthony Cappell, our Co-Chief Executive Officer, Peter Sack, our Co-Chief Executive Officer, and Dr. Andreas Bodmeier, our President and Chief Investment Officer. Our Manager is supported by additional investment professionals with significant expertise in executing our investment strategy and accounting, operational, and legal professionals.

Our Manager's Investment Committee, which is comprised of John Mazarakis, Anthony Cappell, Dr. Andreas Bodmeier, and Peter Sack, advises and consults with our Manager and its investment professionals with respect to our investment strategy, portfolio construction, financing, investment guidelines, and risk management, and approves all of our investments. The investment professionals of our Manager have over 100 years of combined experience in private credit, real estate lending, retail, real estate acquisitions and development, investment advice, risk management, and consulting. Collectively, the investment professionals have originated, underwritten, structured, documented, managed, or syndicated over $8.0 billion in credit and real estate transactions, which includes loans to cannabis operators, loans to companies engaged in activities unrelated to cannabis, as well as commercial real estate loans. The depth and breadth of the management and investment team allows our Manager to address all facets of our operations.

Pursuant to our Management Agreement with our Manager, our Manager manages our loan portfolio and our day-to-day operations, subject at all times to the further terms and conditions set forth in our Management Agreement and such further limitations or parameters as may be imposed from time to time by our board of directors (our "Board"). Under our Management Agreement, our Manager has contractual responsibilities to us, including to provide us with a management team (whether our Manager's own employees or individuals for which our Manager has contracted with other parties to provide services to its clients), who will be our executive officers, and the Manager's Investment Committee. Our Manager will use its commercially reasonable efforts to perform its duties under our Management Agreement.

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.

The following table summarizes the compensation, fees and expense reimbursements that we pay to our Manager under our Management Agreement. A portion or all of the fees may be paid in shares of our common stock, at the sole discretion of our Manager.

Type	Description	Payment
Base Management Fees	An amount equal to 0.375% (1.50% on an annualized basis) of our Equity (as defined below), determined as of the last day of each quarter, reduced by an amount equal to 50% of the pro rata amount of origination fees, structuring fees, or underwriting fees earned and paid to our Manager during the applicable quarter for loans that were originated on our behalf by our Manager. Our Equity, for purposes of calculating the Base Management Fees, could be greater than or less than the amount of stockholders' equity shown on our consolidated financial statements. The Base Management Fees are payable independent of the performance of our loan portfolio.	Quarterly in arrears.
Incentive Compensation (the "Incentive Compensation" or "Incentive Fees")	Our Manager is entitled to incentive compensation (the "Incentive Compensation" or "Incentive Fees") which is calculated and payable in cash with respect to each calendar quarter (or part thereof that the management agreement is in effect) in arrears in an amount, not less than zero, equal to the excess of (1) the product of (a) 20% and (b) the excess of (i) our Core Earnings for the previous 12-month period, over (ii) the product of (A) our Equity in the previous 12-month period, and (B) 8% per annum, over (2) the sum of any incentive compensation paid to our Manager with respect to the first three calendar quarters of such previous 12-month period; *provided*, *however*, that no incentive compensation is payable with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters in the aggregate is greater than zero.	Quarterly in arrears.
Expense Reimbursement	We pay all of our costs and expenses and reimburse our Manager or its affiliates for expenses of our Manager and its affiliates paid or incurred on our behalf, excepting only those expenses that are specifically the responsibility of our Manager pursuant to our Management Agreement. Pursuant to our Management Agreement, and subject to review by the Compensation Committee of our Board, we reimburse our Manager or its affiliates, as applicable, for our fair and equitable allocable share of the compensation, including annual base salary, bonus, any related withholding taxes and employee benefits, paid to (i) our Manager's personnel serving as our Chief Executive Officer or any of our other officers, based on the percentage of his or her time spent devoted to our affairs and (ii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of our Manager and its affiliates who spend all or a portion of their time managing our affairs, with the allocable share of the compensation of such personnel described in this clause (ii) being as reasonably determined by our Manager to appropriately reflect the amount of time spent devoted by such personnel to our affairs. The service by any personnel of our Manager and its affiliates as a member of the Manager's Investment Committee will not, by itself, be dispositive in the determination as to whether such personnel is deemed "investment personnel" of our Manager and its affiliates for purposes of expense reimbursement.	Monthly in cash.
Termination Fee	Equal to three times the sum of (i) the annualized average quarterly Base Management Fee and (ii) the annualized average quarterly Incentive Compensation, in each case, earned by our Manager during the 24-month period immediately preceding the most recently completed fiscal quarter prior to the date of termination. Such fee shall be payable upon termination of our Management Agreement in the event that (i) we decline to renew our Management Agreement, without cause, upon 90 days' prior written notice and the affirmative vote of at least a majority of our independent directors that there has been unsatisfactory performance by our Manager that is materially detrimental to us taken as a whole, or (ii) our Management Agreement is terminated by our Manager (effective upon 60 days' prior written notice) based upon our default in the performance or observance of any material term, condition or covenant contained in our Management Agreement and such default continuing for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period.	Upon specified termination in cash.

Summary Compensation Table

		Year ended December 31, 2023		Year ended December 31, 2022
Base Management Fees	$	4,046,398	$	2,783,274
Incentive Fees		4,736,436		3,778,813
Expense Reimbursement		4,799,210		3,137,861
Total	$	13,582,044	$	9,699,948

Our Competitive Strengths

We expect demand for financing in the cannabis market to continue to rise due to recent and future state legalization of cannabis for recreational and medical use, while federal prohibition on cannabis use and commercialization hampers certain commercial and financial activities. We believe we are well positioned to maintain and expand our position as a credible source of financing for cannabis industry operators and other property owners with the goal of becoming the lender of choice to leading cannabis industry operators, due to the following factors:

Leading Cannabis Lending Platform. Chicago Atlantic Group, LP (our "Sponsor") and its affiliates have originated and closed more than 70 loans totaling approximately $1.8 billion to companies operating in the cannabis industry, making their first loan to a cannabis operator in April 2019. We believe we are a leading capital provider in the cannabis ecosystem with the requisite domain expertise, deep relationships, nimble execution capabilities, stringent underwriting standards, and strong risk analytics to become the lender of choice in the industry. We believe our broad network of deep relationships allows us to originate a substantial number of loans that are not broadly marketed. We believe we are differentiated from our competitors because we seek to target operators and facilities that exhibit lower-risk characteristics on a relative basis, which we believe include generally limiting exposure to ground-up construction, lending to cannabis operators with operational and profitable facilities, diversification of geographies and distribution channels, among other factors.

Sizable Portfolio with Compelling Risk-Adjusted Returns That is Secured by Different Types of Collateral. We believe our current portfolio investments have attractive risk-adjusted returns. As of December 31, 2023, the yield to maturity ("YTM") IRR on our loans is 19.4% on a weighted average basis and ranges from 14.7% to 36.3% through coupons, OID, unused fees, exit fees, and other yield-enhancing fees, as applicable. Our loans are primarily secured by real property and certain personal property, including licenses, equipment, and other assets to the extent permitted by applicable laws and the regulations governing our borrowers.

Disciplined, "Credit-First" Underwriting Process. We have developed a systematic underwriting process that applies a consistent approach to credit review and approval, with a focus on evaluating credit first and then appropriately assessing the risk-reward profile of each loan. We subject all of our potential loans and operators to rigorous underwriting criteria. Our assessment of credit is paramount, as we seek to minimize potential credit losses through effective due diligence, structuring, and covenant design. We seek to customize each transaction structure and financial and operational covenants to reflect risks identified through the underwriting and due diligence process with the goal of maximizing risk-adjusted returns. Our Manager's investment professionals have extensive experience with and the ability to execute on innovative financing solutions that meet the needs of cannabis operators. We also seek to actively supplement our origination and credit underwriting activities through site visits and consistent dialogue with operators and outside capital partners, if any.

Our Team's Track Record in Identifying Market Inefficiencies. Members of our Manager's Investment Committee have had successful careers in private credit, real estate lending, acquisitions, and development, consumer retail, investments, risk management, and consulting. We believe that our willingness and ability to invest and lend in market niches encumbered by regulatory uncertainty, where constrained or less nimble market participants are absent, offers us a distinct advantage. We believe our focus on identifying opportunities in such markets provides for commensurate returns relative to risk. Our relentless pursuit of all relevant information in connection with each transaction is a discrete focus of our investment team. We believe by carefully assessing specific challenges and because we possess the ability to understand and quantify the risks involved, we are able to effectively capitalize on market inefficiencies. We believe these types of assets provide an attractive, and often overlooked, investment opportunity.

Nimble Execution. We believe we have nimble execution capabilities, with the ability to redeploy capital more quickly than the typical REIT land ownership models because we offer shorter terms on our loans than typical equity REITs. Our current portfolio as of December 31, 2023 has a weighted average maturity of 2.1 years with significant prepayment protections, whereas we believe that certain competitors with typical equity REIT land ownership models often have long-term leases averaging 10 years or more. The duration of our loans, as compared to the length of leases usually employed by equity REITs, allows us to redeploy our capital with more flexibility as market changes occur instead of being locked in for longer periods of time. This model also allows our borrowers to retain control of their real estate assets, which is important to their businesses and allows for more flexibility regarding their capital structure.

Our Growth Strategy

Objective

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 a diversified portfolio of income-producing 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 intend to grow the size of our portfolio by continuing the track record of our business by making loans to leading operators and property owners in the cannabis industry.

Key elements of our strategy include:

- Targeting loans for origination and investment that typically have the following characteristics:
  - principal balance greater than $5 million;
  - real estate collateral coverage of at least one times the principal balance;
  - secured by commercial real estate properties, including cannabis cultivation facilities, processing facilities and dispensaries; and
  - well-capitalized operators with substantial experience in particular real estate sectors and geographic markets.
- Diversifying our financing sources with increased access to equity and debt capital, which may provide us with a lower overall cost of funding and the ability to hold larger loan sizes, among other things.

We intend to continue providing financing to state-licensed cannabis cultivators, processors, distributors, retailers, vertically-integrated cannabis firms, non-plant touching manufacturers, suppliers, and service providers to such industries, and other businesses ancillary thereto, located in the U.S. and Canada. We will continue to focus on operators with strong collateral, in the form of real estate, equipment and receivables owned by the borrower, and may opportunistically invest in "all asset lien" cash flow loans, to the extent that allows us to maintain our qualification as a REIT, with a strict focus on adhering to conservative underwriting criteria. Our Manager will regularly evaluate loans and intends to retain an independent third-party valuation firm to provide input on the valuation of unquoted assets, which our Manager considers along with various other subjective and objective factors when making any such evaluation. The collateral underlying our loans is located in states in the U.S. that we believe have attractive regulatory environments for companies operating in the cannabis industry, economic conditions and commercial real estate fundamentals.

An evaluation of the real estate and other collateral is an important part of our Manager's underwriting process, but we may be limited in our ability to foreclose on certain collateral. If we expect that exercising rights and remedies available to us would lead to a lower recovery, we may instead seek to sell a defaulted loan to a third party or force the sale of collateral underlying the loan as permitted in our standard loan agreements. There may be no readily available market for our loans, so we can provide no assurances that a third party would buy such loans or that the sales price of such loans would be sufficient to recover our outstanding principal balance. For more information, see "*Risk Factors — Certain assets of our borrowers may not be used as collateral or transferred to us due to applicable state laws and regulations governing the cannabis industry, and such restrictions could negatively impact our profitability*."

We may diversify our portfolio by also lending or investing in properties that are not related to the cannabis industry if they provide return characteristics consistent with our investment objective. From time to time, we may invest in mezzanine loans, preferred equity or other forms of joint venture equity.

We draw upon our Manager's expertise in sourcing, underwriting, structuring and funding capabilities to implement our growth strategy. We believe that our current growth strategy provides significant potential opportunities to our stockholders for attractive risk-adjusted returns over time. However, to capitalize on the appropriate loan opportunities at different points in the economic and real estate investment cycle, we may modify or expand our growth strategy from time to time.

Manager's Investment Committee

The Manager's Investment Committee overseeing the loan portfolio and the loan origination process for us is focused on managing our credit risk through a comprehensive investment review process. As part of the investment process, the Manager's Investment Committee must approve each loan before commitment papers are issued.

In addition, the Audit Committee of our Board may assist our Board in its oversight of the determination of the fair value of assets, as applicable, that are not publicly traded or for which current market values are not readily available by evaluating various subjective and objective factors, including input provided by an independent valuation firm that we currently retain to provide input on the valuation of such assets.

Our Portfolio

Overview

As of December 31, 2023, loans to 27 different borrowers comprise our portfolio, totaling approximately $355.7 million in total principal amount, with approximately $7.5 million in committed future fundings to such borrowers. As of December 31, 2023, our loan portfolio had a weighted-average yield-to-maturity internal rate of return ("YTM IRR") of 19.4% and was secured by real estate and, with respect to certain of our loans, substantially all assets in the borrowers and certain of their subsidiaries, including equipment, receivables, and licenses. The YTM IRR on our loans is designed to present the total annualized return anticipated on the loans if such loans are held until they mature, which is consistent with our operating strategy. YTM IRR summarizes various components of such return, such as cash interest, paid-in-kind interest, original issue discount, and exit fees, in one measure that is comparable across loans. 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 December 31, 2023, approximately 80.5% 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, and 19.5% of our portfolio was comprised of fixed rate loans. All of our loans had prepayment penalties at origination and 54% of our loans, based on outstanding principal, are still protected by prepayment penalties as of December 31, 2023.

The table below summarizes our loan portfolio as of December 31, 2023.

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	$ 29,910,000	$ (635,656)	$ 29,274,344	8.3 %	-	P+6.5% Cash (11)	I/O	17.3%
2	Michigan	1/13/2022	12/31/2024	35,891,667	38,810,119	(81,073)	38,729,046	11.0 %	-	P+6.65% Cash, 4.25% PIK (17)	P&I	18.0%
3[18]	Various	3/25/2021	11/29/2024	20,105,628	20,657,606	(175,697)	20,481,909	5.8 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.5%
4	Arizona	4/19/2021	2/14/2023	14,240,129	15,396,370	-	15,396,370	4.4 %	-	P+11.75% PIK (15)	I/O	25.9%
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,194,180	-	3,194,180	0.9 %	-	P+12.25% Cash (7)	P&I	22.8%
6[19]	Michigan	8/20/2021	2/20/2024	6,000,000	4,264,421	(535)	4,263,886	1.2 %	-	P+9% Cash (7)	P&I	20.8%
7	Illinois, Arizona	8/24/2021	6/30/2025	25,000,000	20,184,005	(128,551)	20,055,454	5.7 %	-	P+6% Cash, 2% PIK (12)	P&I	19.5%
8	West Virginia	9/1/2021	9/1/2024	9,500,000	11,706,059	(42,473)	11,663,586	3.3 %	-	P+9.25% Cash, 2% PIK (8)	P&I	25.1%
9[20]	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,402,488	-	16,402,488	4.6 %	-	P+10.75% Cash, 3% PIK (7)	P&I	16.2%
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,310,259	(267,990)	33,042,269	9.3 %	-	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	(52,406)	8,657,816	2.4 %	-	P+7% Cash (13)	P&I	19.5%
13	Michigan	11/22/2021	11/1/2024	13,600,000	13,392,094	(59,248)	13,332,846	3.8 %	-	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	1.5 %	-	P+12.25% Cash, 2.5% PIK (9)	P&I	22.8%
16	Florida	12/30/2021	12/31/2024	13,000,000	4,437,500	(19,058)	4,418,442	1.2 %	-	P+9.25% Cash (7)	I/O	36.3%
17	Florida	1/18/2022	1/31/2025	15,000,000	15,000,000	(136,667)	14,863,333	4.2 %	-	P+4.75% Cash (11)	P&I	14.8%
18	Ohio	2/3/2022	2/28/2025	11,662,050	17,155,637	(92,206)	17,063,431	4.8 %	-	P+1.75% Cash, 5% PIK (12)	P&I	20.4%
19	Florida	3/11/2022	8/29/2025	20,000,000	20,080,084	(48,217)	20,031,867	5.7 %	-	11% Cash, 3% PIK	P&I	15.5%
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,691,575	(78,532)	17,613,043	5.0 %	-	11% Cash, 2% PIK	P&I	14.7%
21	Illinois	7/1/2022	7/29/2026	9,000,000	5,353,186	(56,877)	5,296,309	1.5 %	-	P+8.5% Cash, 3% PIK (9)	P&I	25.6%
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,860,000	(37,319)	1,822,681	0.5 %	-	P+7.5% Cash (14)	P&I	19.4%
24	Oregon	3/31/2023	9/27/2026	1,000,000	820,000	-	820,000	0.2 %	-	P+10.5% Cash (10)	P&I	21.7%
25	New York	8/1/2023	6/29/2036	23,309,588	22,611,938	-	22,611,938	6.4 %	-	15% Cash	P&I	16.7%
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(118,004)	5,331,996	1.5 %	-	14% Cash	P&I	19.1%
27	Nebraska	8/15/2023	6/30/2027	13,061,667	13,061,667	-	13,061,667	3.7 %	-	P+8.75% Cash	P&I	19.0%
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,705	-	2,466,705	0.7 %	-	15% Cash	P&I	17.4%
29	Illinois	10/11/2023	10/9/2026	1,062,564	1,066,065	-	1,066,065	0.3 %	-	11.4% Cash, 1.5% PIK	P&I	15.9%
30	Missouri, Arizona	12/20/2023	12/31/2026	15,000,000	7,500,000	(74,186)	7,425,814	2.1 %	7,500,000	P+7.75% Cash (16)	I/O	18.4%
			Subtotal	$ 378,849,998	$ 355,745,305	$ (2,104,695)	$ 353,640,610	100 %	$ 7,500,000		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 December 31, 2023.

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

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

(6) Estimated YTM, calculated on a weighted average principal basis, includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the 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% cash, 2.75% PIK and a second commitment of $4.2 million which has an interest rate of 15.00% cash, 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 December 1, 2023, this loan was placed on non-accrual status. In March 2024, we 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 (Note 14).

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

Collateral Overview

Our loans to cannabis operators are secured by various types of assets of our borrowers, including real property and certain personal property, including licenses, equipment, receivables, and other assets to the extent permitted by applicable laws and the regulations governing our borrowers. As such, we do not have liens on cannabis inventory and cannot foreclose on liens on state licenses as they are generally not transferable. See "*Risk Factors — Certain assets of our borrowers may not be used as collateral or transferred to us due to applicable state laws and regulations governing the cannabis industry, and such restrictions could negatively impact our profitability.*"

The table below represents the real estate collateral securing our loans as of December 31, 2023. The real estate collateral values in the table below were measured at the time of underwriting and based on various sources of data available at such time. In addition, the real estate that secures our loans is generally appraised by a third party at least once a year, or more frequently as needed.

In the event that a borrower defaults on its loan, we have a number of potential remedies that we may pursue, depending on the nature of the default, the size of the loan, the value of the underlying collateral and the financial condition of the borrower. We may seek to sell the loan to a third party, 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. We believe the appraised value of the real estate underlying our loans impacts the amount of the recovery we would receive in each such scenario. However, the amount of any such recovery will likely be less than the appraised value of the real estate and may not be sufficient to pay off the remaining balance on the defaulted loan.

We may pursue a sale of a defaulted loan if we believe that such sale would yield higher proceeds or that the sale could be accomplished more quickly than through a foreclosure proceeding while yielding proceeds comparable to what would be expected from a foreclosure sale. To the extent that we determine that the proceeds are more likely to be maximized through instituting a foreclosure sale or through taking title to the underlying property, we will be subject to the rules and regulations under state law that govern foreclosure sales and NASDAQ listing standards that do not permit us to take title to real estate while it is being used to conduct cannabis-related activities. If we foreclose on properties securing our loans, we may have difficulty selling such properties and may be forced to sell a property to a lower quality operator or to a party outside of the cannabis industry. Therefore, appraisal-based real estate collateral values shown in the table below may not equal the value of such real estate if it were to be sold to a third party in a foreclosure or similar proceeding. We may seek to sell a defaulted loan prior to commencing a foreclosure proceeding or during a foreclosure proceeding to a purchaser that is not required to comply with NASDAQ listing standards. We believe a third-party purchaser that is not subject to NASDAQ listing standards may be able to realize greater value from real estate and other collateral securing our loans. However, we can provide no assurances that a third party would buy such loans or that the sales price of such loans would be sufficient to recover the outstanding principal balance, accrued interest, and fees. See "*Risk Factors — We will not own real estate as long as it is used in cannabis-related operations due to current statutory prohibitions and exchange listing standards, which may delay or limit our remedies in the event that any of our borrowers default under the terms of their mortgage loans with us*."

Loan	Investment (1)	Location	Property Type	Principal Balance as of December 31, 2023	Implied Real Estate Collateral for REIT(2)	Our Real Estate Collateral Coverage as of December 31, 2023 (4)
1	Senior Real Estate Corporate Loan	Multi-State	Retail/Industrial	$ 29,910,000	$ 5,514,857	0.2 x
2	Senior Real Estate Corporate Loan 3	Michigan	Retail/Industrial	38,810,119	56,962,428	1.5 x
3	Senior Real Estate Corporate Loan 3	Multi-State	Retail/Industrial	20,657,606	19,356,702	0.9 x
4	Senior Real Estate Corporate Loan	Arizona	Industrial	15,396,370	23,900,000	1.6 x
5	Senior Real Estate Corporate Loan 3	Massachusetts	Retail/Industrial	3,194,180	900,000	0.3 x
6	Senior Real Estate Corporate Loan 3	Michigan	Retail/Industrial	4,264,421	15,850,000	3.7 x
7	Senior Real Estate Corporate Loan 3	Illinois, Arizona	Retail/Industrial	20,184,005	41,675,040	2.1 x
8	Senior Real Estate Corporate Loan	West Virginia	Retail/Industrial	11,706,059	14,255,000	1.2 x
9	Senior Real Estate Corporate Loan 3	Pennsylvania	Retail/Industrial	16,402,488	17,000,000	1.0 x
11	Senior Real Estate Corporate Loan 3	Maryland	Industrial	33,310,259	30,400,000	0.9 x
12	Senior Real Estate Corporate Loan 3	Multi-State	Retail/Industrial	8,710,222	2,049,733	0.2 x
13	Senior Real Estate Corporate Loan 3	Michigan	Retail/Industrial	13,392,094	42,064,044	3.1 x
14	Senior Loan	Various	None	5,253,125	—	0.0 x
16	Senior Loan	Florida	None	4,437,500	—	0.0 x
17	Senior Real Estate Corporate Loan 3	Florida	Retail/Industrial	15,000,000	32,840,000	2.2 x
18	Senior Real Estate Corporate Loan 3	Ohio	Retail/Industrial	17,155,637	40,080,000	2.3 x
19	Senior Real Estate Corporate Loan 3	Florida	Retail/Industrial	20,080,084	27,700,000	1.4 x
20	Senior Real Estate Corporate Loan 3	Missouri	Retail/Industrial	17,691,575	27,400,000	1.5 x
21	Senior Real Estate Corporate Loan 3	Illinois	Retail/Industrial	5,353,186	9,770,000	1.8 x
23	Senior Real Estate Corporate Loan 3	Arizona	Retail/Industrial	1,860,000	3,887,500	2.1 x
24	Senior Real Estate Corporate Loan 3	Oregon	Retail/Industrial	820,000	3,600,000	4.4 x
25	Senior Delayed Draw Term Loan	New York	Retail	22,611,938	33,631,119	1.5 x
26	Senior Real Estate Corporate Loan	Connecticut	Industrial	5,450,000	7,699,497	1.4 x
27	Senior Real Estate Corporate Loan	Nebraska	Industrial	13,061,667	52,853,593	4.0 x
28	Senior Real Estate Corporate Loan	Ohio	Retail	2,466,705	2,000,000	0.8 x
29	Senior Real Estate Corporate Loan	Illinois	Retail	1,066,065	1,400,000	1.3 x
30	Senior Real Estate Corporate Loan	Missouri, Arizona	Retail/Industrial	7,500,000	9,217,500	1.2 x
				$ 355,745,305	**$ 522,007,013**	**1.5 x**

(1) Senior Real Estate Corporate Loans and Senior Delayed Draw Term Loans are structured as loans to owner operators secured by real estate or loans to property owners that are leased to a third party tenant. Senior Loans are corporate loans that are not secured by real estate collateral.

(2) Real estate is based on appraised value as is, or on a comparable cost basis, as completed. The real estate values shown in the collateral table are estimates by a third-party appraiser of the market value of the subject real property in its current physical condition, use, and zoning as of the appraisal date. The appraisals for cannabis cultivation or dispensary facilities assume that the highest and best use is use as a cannabis cultivator or dispensary, as applicable. The appraisals recognize that the current use is highly regulated by the state in which the property is located; however, there are sales of comparable properties that demonstrate that there is a market for such properties. The appraisals utilize these comparable sales for the appraised property's value in use. For properties used for cannabis cultivation, the appraisals use similar sized warehouses in their conclusion of the subject's "as-is" value without licenses to cultivate cannabis. However, the appraised value is assumed to be realized from a purchase by another state-licensed cannabis operator or a third-party purchaser that would lease the subject property to a state-licensed cannabis operator. The regulatory requirements related to real property used in cannabis-related operations may cause significant delays or difficulties in transferring a property to another cannabis operator, as the state regulator may require inspection and approval of the new tenant/user.

(3) Certain affiliated co-lenders subordinated their interest in the real estate collateral to the Company, thus increasing the collateral coverage for the applicable loan.
(4) The total real estate collateral coverage ratio represents a weighted average real estate collateral coverage ratio. Further, the value may also be determined using the income approach, based on market lease rates for comparable properties, whether dispensaries or cultivation facilities. It indicates the value to a third-party owner that leases to a dispensary or cultivation facility. Finally, the appraisals may contain a value based on the cost for another operator to construct a similar facility, which we refer to as the "cost approach." We believe the cost approach provides an indication of what another state-licensed operator would pay for a separate facility instead of constructing it itself. The appraisal's opinion of value reflects current conditions and the likely actions of market participants as of the date of appraisal. It is based on the available information gathered and provided to the appraiser and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

Revolving Credit Facility

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

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

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

On February 27, 2023, CAL entered into an amendment to the Third Amendment and Restatement (the "Amendment"). The Amendment extended the contractual maturity date of the Revolving Loan until December 16, 2024 and the Company retained its option to extend the initial term for an additional one-year period, provided no events of default exist and the Company provides 365 days' notice of the extension pursuant to the Amendment. No other material terms of the Revolving Loan were modified as a result of the execution of the Amendment. The Company incurred debt issuance costs of $2,988 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 and Restatement. The Company incurred debt issuance costs of $109,291 related to the Fourth Amendment and Restatement, 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 for the applicable trailing twelve month period, and (3) maintaining a leverage ratio less than 1.50 to 1. As of December 31, 2023, we were in compliance with all financial covenants with respect to the Revolving Loan.

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

As of December 31, 2023, we had an outstanding balance of $66.0 million and remaining undrawn availability of $34.0 million under the Revolving Loan. Additionally, as of December 31, 2023, $165.7 million in principal of our loans held for investment are pledged as collateral in the borrowing base of the Revolving Loan.

Government Regulation

Our operations are subject to regulation, supervision, and licensing under various United States, state, provincial, and local statutes, ordinances and regulations. In general, lending is a highly regulated industry in the United States and we are required to comply with, among other statutes and regulations, certain provisions of the Equal Credit Opportunity Act, the USA Patriot Act, regulations promulgated by the Office of Foreign Assets Control, and U.S. federal and state securities laws and regulations. In addition, certain states have adopted laws or regulations that may, among other requirements, require licensing of lenders and financiers, prescribe disclosures of certain contractual terms, impose limitations on interest rates and other charges, and limit or prohibit certain collection practices and creditor remedies. We are required to comply with the applicable laws and regulations in the states in which we do business. We actively monitor proposed changes to relevant legal and regulatory requirements in order to maintain our compliance.

Federal Laws Applicable to the Cannabis Industry

Cannabis (with the exception of hemp containing no more than 0.3% THC by dry weight) is illegal under U.S. federal law. In those states in which the use of cannabis has been legalized, its use remains a violation of federal law pursuant to the Controlled Substances Act of 1970 (the "CSA"). The CSA classifies marijuana (cannabis) as a Schedule I controlled substance, and as such, both medical and adult use cannabis are illegal under U.S. federal law. Moreover, on two separate occasions the U.S. Supreme Court ruled that the CSA trumps state law. That means that the federal government may enforce U.S. drug laws against companies operating in accordance with state cannabis laws, creating a climate of legal uncertainty regarding the production and sale of cannabis. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that the federal law enforcement authorities responsible for enforcing the CSA, including the U.S. Department of Justice ("DOJ") and the Drug Enforcement Agency ("DEA"), may enforce current federal law. Because federal enforcement is currently left to the discretion of the DOJ, the federal government's cannabis policy is dictated by the Attorney General and their directives. Federal marijuana enforcement policy, therefore, can change any time a new Attorney General is appointed. This has resulted in several changes in DOJ policy over the last decade, as discussed further below.

Under the Obama administration, the DOJ previously issued memoranda, including the so-called "Cole Memo" on August 29, 2013, providing internal guidance to federal prosecutors concerning enforcement of federal cannabis prohibitions under the CSA. This guidance essentially characterized use of federal law enforcement resources to prosecute those complying with state laws allowing the use, manufacture and distribution of cannabis as an inefficient use of such federal resources where states have enacted laws legalizing cannabis in some form and have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. Conduct in compliance with those laws and regulations was not a priority for the DOJ. Instead, the Cole Memo identified a list of federal enforcement priorities, including preventing interstate diversion or distribution of cannabis to minors, to focus enforcement efforts against operations that implicated these priorities.

On January 4, 2018, then-U.S. Attorney General Jeff Sessions issued a written memorandum rescinding the Cole Memo and related internal guidance issued by the DOJ regarding federal law enforcement priorities involving cannabis (the "Sessions Memo"). The Sessions Memo instructs federal prosecutors to enforce the laws enacted by Congress and to follow well-established principles that govern all federal prosecutors when deciding whether to pursue prosecutions related to cannabis activities. As a result, federal prosecutors could, and still can, use their prosecutorial discretion to decide to prosecute actors compliant with their state laws. The Sessions Memo states that "these principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The Sessions Memo went on to state that given the DOJ's well-established general principles, "previous nationwide guidance specific to marijuana is unnecessary and is rescinded, effective immediately." Although there have not been any identified prosecutions of state law compliant cannabis entities, there can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future and it remains unclear what impact the Sessions Memo will have on the regulated cannabis industry, if any.

Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memo." The DOJ under Mr. Barr did not take a formal position on federal enforcement of laws relating to cannabis. Mr. Barr has stated publicly that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach of leaving it up to the states to make their own decisions. Attorney General Garland has indicated that he does not intend to prosecute state-legal marijuana programs, and testified to Congress in March of 2023 that the DOJ intended to release a new policy memorandum that would be similar in content to the Cole Memorandum. The new DOJ Memorandum, however, has not yet been released, and there can be no assurances that DOJ or other law enforcement authorities will not seek to vigorously enforce existing laws.

In August 2023, the U.S. Department of Health and Human Services ("HHS") recommended to the DEA that cannabis be reclassified from a Schedule I drug to a Schedule III drug under the CSA. HHS based this recommendation on a Food and Drug Administration ("FDA") review of cannabis' classification pursuant to President Biden's executive order in October 2022. The process for reclassification will require DEA approval and likely complex administrative rulemaking proceedings, and it remains unclear how long this process will take and the scope of any final decisions or rules.

One legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Commonly referred to as the "Rohrabacher-Blumenauer" or "Rohrabacher-Farr" Amendment, this so-called "rider" provision has been appended to the Consolidated Appropriations Acts since 2015. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On December 27, 2020, Congress passed an omnibus spending bill that again included the Rohrabacher-Blumenauer Amendment, extending its application until September 30, 2021. The amendment was renewed through September 2023 as a rider to the 2022 Consolidated Appropriations Act, and has been extended through a series of short-term spending bills. There is no assurance that Congress will approve inclusion of a similar prohibition on DOJ spending in the appropriations bills for future years. In *United States v. McIntosh*, the United States Circuit Court of Appeals for the Ninth Circuit held that this provision prohibits the DOJ from spending funds from relevant appropriations acts to prosecute individuals who engage in conduct permitted by state medical-use cannabis laws and who "strictly" comply with such laws. However, the Ninth Circuit's opinion, which only applies in the states of Alaska, Arizona, California, Hawaii and Idaho, also held that persons who do not strictly comply with all state laws and regulations regarding the distribution, possession and cultivation of medical-use cannabis have engaged in conduct that is unauthorized, and in such instances the DOJ may prosecute those individuals. Similarly, the United States Circuit Court for the First Circuit also considered the Rohrabacher-Blumenauer amendment in *United States v. Bilodeau* and likewise concluded that the Amendment does not prohibit federal prosecution of persons and entities engaged in medical cannabis operations that violate state law. In that same opinion, however, the Court concluded that "strict" compliance with the law is not necessary, such that technical noncompliance could not lead to prosecution. The key question, per the First Circuit, is whether a federal prosecution would limit the state's ability to implement its laws.

Federal prosecutors have significant discretion and no assurance can be given that the federal prosecutor in each judicial district where our borrowers operate will not choose to strictly enforce the federal laws governing cannabis production, processing or distribution. Any change in the federal government's enforcement posture with respect to state-licensed cannabis operators, including the enforcement postures of individual federal prosecutors in judicial districts where our borrowers operate, would result in our inability to execute our business plan, and we would likely suffer significant losses with respect to our investments, which would adversely affect the trading price of our securities.

State Laws Applicable to the Cannabis Industry

In most states that have legalized cannabis in some form, the growing, processing and/or dispensing of cannabis generally requires that the operator obtain one or more licenses in accordance with applicable state requirements. In addition, many states regulate various aspects of the growing, processing and/or dispensing of cannabis. Local governments in some cases also impose rules and regulations on the manner of operating cannabis businesses. As a result, applicable state and local laws and regulations vary widely, including, but not limited to, product testing, the level of enforcement by state and local authorities on non-licensed cannabis operators, state and local taxation of regulated cannabis products, local municipality bans on operations and operator licensing processes and renewals.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends or repeals the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendment or repeal there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, our business, results of operations, financial condition and prospects would be materially adversely affected.

Laws Applicable to Financial Services for Cannabis Industry

All banks are subject to federal law, whether the bank is a national bank or state-chartered bank. At a minimum, all banks maintain federal deposit insurance which requires adherence to federal law. Violation of federal law could subject a bank to loss of its charter. Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statutes and the Bank Secrecy Act. For example, under the Bank Secrecy Act, banks must report to the federal government any suspected illegal activity, which would include any transaction associated with a cannabis-related business. These reports must be filed even though the business is operating in compliance with applicable state and local laws. Therefore, financial institutions that conduct transactions with money generated by cannabis-related conduct could face criminal liability under the Bank Secrecy Act for, among other things, failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA.

Despite these laws, the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) issued a memorandum on February 14, 2014 (the “FinCEN Memorandum”) outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. Concurrently with the FinCEN Memorandum, the DOJ issued supplemental guidance directing federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo with respect to federal money laundering, unlicensed money transmitter and Bank Secrecy Act offenses based on cannabis-related violations of the CSA. The FinCEN Memorandum sets forth extensive requirements for financial institutions to meet if they want to offer bank accounts to cannabis-related businesses and echoed the enforcement priorities of the Cole Memo. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“SAR”) in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. This is a level of scrutiny that is far beyond what is expected of any normal banking relationship.

As a result, many banks are hesitant to offer any banking services to cannabis-related businesses, including opening bank accounts. While we currently maintain banking relationships, our inability to maintain those accounts or the lack of access to bank accounts or other banking services in the future, would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges. Similarly, if our borrowers are unable to access banking services, they will not be able to enter into loan agreements with us, as our agreements require interest payments to be made by check or wire transfer.

The rescission of the Cole Memo has not yet affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. The DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state including states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ’s enforcement priorities could change for any number of reasons. A change in the DOJ’s priorities could result in the DOJ’s prosecuting banks and financial institutions for crimes that were not previously prosecuted.

The increased uncertainty surrounding financial transactions related to cannabis activities may also result in financial institutions discontinuing services to the cannabis industry.

Seasonality

Our business has not been, and we do not expect it to become subject to, material seasonal fluctuations.

U.S. Federal Income Tax Considerations

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable period ended December 31, 2021. We believe that we have qualified as a REIT and that our method of operation will enable us to continue to qualify as a REIT.

So long as we qualify for taxation as a REIT, we generally are not subject to U.S. federal income tax on the portion of our taxable income or capital gain that is distributed to stockholders annually. This treatment substantially eliminates the "double taxation" (i.e., at both the corporate and stockholder levels) that typically results from investment in a corporation.

Notwithstanding our qualification as a REIT, we will be subject to U.S. federal income tax as follows:

- we will be taxed at normal corporate rates on any undistributed net income (including undistributed net capital gains);
- if we fail to satisfy either the 75% or the 95% gross income tests (discussed below), but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on the greater of (1) the amount by which we fail the 75% test and (2) the amount by which we fail the 95% test, in either case, multiplied by a fraction intended to reflect our profitability;
- if we should fail to satisfy the asset tests or other requirements applicable to REITs, as described below, yet nonetheless maintain our qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, we may be subject to an excise tax;
- we will be subject to a tax of 100% on net income from any "prohibited transaction";
- we will be subject to tax, at the highest corporate rate, on net income from (1) the sale or other disposition of "foreclosure property" (generally, property acquired by us through foreclosure or after a default on a loan secured by the property or a lease of the property and for which an election is in effect) that is held primarily for sale to customers in the ordinary course of business or (2) other non-qualifying income from foreclosure property;
- if we fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain income for the year and (3) any undistributed taxable income from prior years, we will be subject to a 4% excise tax on the excess of the Required Distribution over the sum of (a) the amounts actually distributed plus (b) the amounts with respect to which certain taxes are imposed on us;
- if we acquire any asset from a "C corporation" (that is, a corporation generally subject to the full corporate level tax) in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the C corporation, and we recognize gain on the disposition of the asset during a five-year period beginning on the date that we acquired the asset, then the asset's "built-in" gain generally will be subject to tax at the highest regular corporate rate;
- if we fail to qualify for taxation as a REIT because we failed to distribute by the end of the relevant year any earnings and profits we inherited from a taxable C corporation during the year (e.g., by tax-free merger or tax-free liquidation), and the failure is not due to fraud with intent to evade tax, we generally may retain our REIT status by paying a special distribution, but we will be required to pay an interest charge on 50% of the amount of undistributed non-REIT earnings and profits;
- a 100% tax may be imposed on certain transactions between us and our taxable REIT subsidiaries ("TRSs") that do not reflect arm's length terms;
- we may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to satisfy the record keeping requirements intended to monitor our compliance with rules relating to the ownership of our common stock;
- certain of our subsidiaries, if any, may be C corporations, the earnings of which could be subject to federal corporate income tax; and
- we and our subsidiaries, if any, may be subject to a variety of taxes, including state and local income taxes, property taxes and other taxes on our assets and operations and could also be subject to tax in situations and on transactions not presently contemplated.

We will use the calendar year both for U.S. federal income tax purposes and for financial reporting purposes.

Requirements for Qualification. To qualify as a REIT for U.S. federal income tax purposes, we must elect to be treated as a REIT and must meet various (a) organizational requirements, (b) gross income tests, (c) asset tests and (d) annual distribution requirements.

Organizational Requirements. A REIT must be organized as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

(4) that is neither a financial institution nor an insurance company subject to specified provisions of the Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) at all times during the last half of each taxable year, after the first taxable year, not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, or by application of certain constructive ownership rules, by five or fewer individuals (as defined in the Code to include some entities that would not ordinarily be considered "individuals"); and

(7) that meets other tests, described below, regarding the nature of its income and assets.

The Code provides that conditions (1) through (4) must be met during our entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. The Charter provides for restrictions regarding transfer of our capital stock, in order to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above.

We will be treated as having satisfied condition (6) above if we comply with the regulatory requirements to request information from our stockholders regarding their actual ownership of our common stock, and we do not know, or in exercising reasonable diligence would not have known, that we failed to satisfy this condition. If we fail to comply with these regulatory requirements for any taxable year we will be subject to a penalty of $25,000, or $50,000 if such failure was intentional. However, if our failure to comply was due to reasonable cause and not willful neglect, no penalties will be imposed.

Gross Income Tests. We must satisfy the following two separate gross income tests each year:

- *75% Gross Income Test*. At least 75% of our gross income (excluding gross income from prohibited transactions, income from certain hedging transactions and certain foreign currency gains) must consist of income derived directly or indirectly from investments relating to real property or mortgages on real property (generally including rents from real property, dividends from other REITs, and interest on obligations secured by mortgages on real property or on interests in real property), or some types of temporary investment income.

- *95% Gross Income Test*. At least 95% of our gross income (excluding gross income from prohibited transactions, income from certain hedging transactions and certain foreign currency gains) must consist of items that satisfy the 75% gross income test and certain other items, including dividends, interest and gain from the sale or disposition of stock or securities (or from any combination of these types of income).

Interest income that we receive will satisfy the 75% gross income test (as described above) to the extent that it is derived from a loan that is adequately secured by a mortgage on real property or on interests in real property (including, in the case of a loan secured by both real property and personal property, such personal property if it does not exceed 15% of the total fair market value of all of the property securing the loan). If a loan is secured by both real property and other property (and such other property is not treated as real property as described above), and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan, determined as of (a) the date we agreed to acquire or originate the loan or (b) in the event of a "significant modification," the date we modified the loan, then a part of the interest income from such loan equal to the percentage amount by which the loan exceeds the value of the real property will not be qualifying income for purposes of the 75% gross income test, but may be qualifying income for purposes of the 95% gross income test.

From time to time, we may invest in mezzanine loans. The IRS has provided a safe harbor with respect to the treatment of a mezzanine loan as a loan and therefore as a qualifying asset for purposes of the REIT asset tests, but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a qualifying real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. However, structuring a mezzanine loan to meet the requirements of the safe harbor may not always be practical. To the extent that any of our mezzanine loans do not meet all of the requirements for reliance on the safe harbor, such loans might not be properly treated as qualifying loans for REIT purposes.

If we receive contingent interest that is based on the cash proceeds realized upon the sale of the property securing the loan, then the income attributable to the participation feature will be treated as gain from the sale of the underlying real property and will satisfy both the 75% and 95% gross income tests provided that the property is not held by the borrower as inventory or dealer property. Interest income that we receive from a loan in which all or a portion of the interest income payable is contingent on the gross receipts or sales of the borrower will generally be qualifying income for purposes of both the 75% and 95% gross income tests.

We may receive fee income in a number of circumstances, including from loans that we originate. Fee income, including prepayment penalties, loan assumption fees and late payment charges that are not compensation for services, generally will be qualifying income for purposes of both the 75% and 95% gross income tests if it is received in consideration for us entering or having entered into an agreement to make a loan secured by real property or an interest in real property and the fees are not determined by income or profits of the borrower. Other fees generally are not qualifying income for purposes of either gross income test. Fees earned by any TRSs are not included in computing the 75% and 95% gross income tests, and thus neither assist nor hinder our compliance with these tests.

Prohibited Transactions. Net income from prohibited transactions is subject to a 100% tax. The term “prohibited transaction” generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Whether property is held “primarily for sale to customers in the ordinary course of a trade or business” depends on the specific facts and circumstances. The Code provides a safe harbor pursuant to which sales of assets held for at least two years and meeting certain additional requirements will not be treated as prohibited transactions, but compliance with the safe harbor may not always be practical. We intend to continue to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held as inventory or for sale to customers and that a sale of any such asset will not be treated as having been in the ordinary course of our business.

Effect of Subsidiary Entities. A TRS is a corporation in which we directly or indirectly own stock and that jointly with us elects to be treated as our TRS under Section 856(*l*) of the Code. A TRS is subject to U.S. federal income tax and state and local income tax, where applicable, as a regular C corporation. Generally, a TRS can engage in activities that, if conducted by us other than through a TRS, could result in the receipt of non-qualified income or the ownership of non-qualified assets. However, several provisions regarding the arrangements between a REIT and its TRSs ensure that a TRS will be subject to an appropriate level of U.S. federal income taxation. For example, we will be obligated to pay a 100% penalty tax on some payments that we receive or certain other amounts or on certain expenses deducted by the TRS if the economic arrangements among us, our borrowers and/or the TRS are not comparable to similar arrangements among unrelated parties.

We may own interests in one or more TRSs that may receive management fee income and/or hold assets or generate income that could cause us to fail the REIT income or asset tests or subject it to the 100% tax on prohibited transactions. Our TRSs may incur significant amounts of U.S. federal, state and local income taxes and, if doing business or owning property outside of the United States, significant non-U.S. taxes.

Relief Provisions for Failing the 75% or the 95% Gross Income Tests. If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we are entitled to relief under provisions of the Code. Relief provisions are generally available if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year; and

- our failure to meet these tests was due to reasonable cause and not willful neglect.

However, it is not possible to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above, even if the relief provisions apply, a tax will be imposed with respect to some or all of our excess nonqualifying gross income, reduced by approximated expenses.

Asset Tests. We must satisfy the following tests relating to the nature of our assets at the close of each quarter of our taxable year:

- at least 75% of the value of our total assets must be represented by real estate assets (including (1) our allocable share of real estate assets held by partnerships in which we own an interest, (2) stock or debt instruments held for not more than one year purchased with the proceeds of our stock offering or long-term (at least five years) debt offering, cash and government securities, (3) stock in other REITs and (4) certain mortgage-backed securities and loans);

- not more than 25% of our total assets may be represented by securities other than those in the 75% asset class;
- of the investments included in the 25% asset class, the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets (unless the issuer is a TRS), and we may not own more than 10% of the vote or value of any one issuer's outstanding securities (unless the issuer is a TRS or we can avail ourselves of the rules relating to certain securities and "straight debt" summarized below);
- not more than 20% of the value of our total assets may be represented by securities of one or more TRS; and
- not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs that are not secured by mortgages on real property or interests in real property.

The term "securities" generally includes debt securities issued by a partnership or another REIT. However, "straight debt" securities and certain other obligations, including loans to individuals or estates, certain specified loans to partnerships, certain specified rental agreements and securities issued by REITs are not treated as "securities" for purposes of the "10% value" asset test. "Straight debt" means a written unconditional promise to pay on demand or on a specified date a sum certain in cash if (i) the debt is not convertible, directly or indirectly, into stock, (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors (subject to certain specified exceptions), and (iii) the issuer is either not a corporation or partnership, or the only securities of the issuer held by us, and certain of our TRSs, subject to a de minimis exception, are straight debt and other specified assets.

The above asset tests must be satisfied not only on the date that we acquire securities in the applicable issuer, but also at the close of each quarter in which we acquire any security or other property. After initially meeting the asset tests at the beginning of any quarter, we will not lose our REIT status if we fail to satisfy the asset tests at the end of a later quarter solely by reason of changes in the relative values of our assets. If the failure to satisfy the asset tests results from the acquisition of securities or other property during a quarter, the failure can be cured by a disposition of sufficient non-qualifying assets or acquisition of sufficient qualifying assets within 30 days after the close of that quarter. Although we plan to take steps to ensure that we satisfy such steps for any quarter with respect to which retesting is to occur, there can be no assurance that such steps will always be successful, or will not require a reduction in our overall interest in an issuer. If we fail to cure the noncompliance with the asset tests within this 30-day period, we could fail to qualify as a REIT.

In certain cases, we may avoid disqualification for any taxable year if we fail to satisfy the asset tests after the 30-day cure period. We will be deemed to have met certain of the REIT asset tests if the value of our non-qualifying assets for such tests (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we dispose of the non-qualifying assets within six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered. For violations due to reasonable cause rather than willful neglect that are in excess of the de minimis exception described above, we may avoid disqualification as a REIT, after the 30-day cure period, by taking steps including (i) the disposition of sufficient assets to meet the asset test within six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets, and (iii) disclosing certain information to the IRS. If we fail the asset test and cannot avail ourselves of these relief provisions, we may fail to qualify as a REIT.

Annual Distribution Requirements. We are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (i) the sum of (a) 90% of our REIT taxable income (computed without regard to the dividends paid deduction and our net capital gain) and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of specified items of noncash income. Dividends must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for that year and if paid on or before the first regular dividend payment after the declaration. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax on the undistributed amount at regular ordinary and capital gains corporate tax rates, as applicable. We may designate all or a portion of our undistributed net capital gains as being includable in the income of our stockholders as gain from the sale or exchange of a capital asset. If so, the stockholders receive an increase in the basis of their stock in the amount of the income recognized. Stockholders are also to be treated as having paid their proportionate share of the capital gains tax imposed on us on the undistributed amounts and receive a corresponding decrease in the basis of their stock. Furthermore, if we should fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for that year, (2) 95% of our REIT capital gain net income for that year and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of the Required Distribution over the sum of (a) the amounts actually distributed and (b) the undistributed amounts on which certain taxes are imposed on us. We intend to make timely distributions sufficient to satisfy all annual distribution requirements.

From time to time, we may experience timing differences between (1) the actual receipt of income and actual payment of deductible expenses and (2) the inclusion of that income and deduction of those expenses in arriving at our taxable income. Further, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. Additionally, we may incur cash expenditures that are not currently deductible for tax purposes. As such, we may have less cash available for distribution than is necessary to meet our annual 90% distribution requirement or to avoid tax with respect to capital gain or the excise tax imposed on specified undistributed income. To meet the 90% distribution requirement necessary to qualify as a REIT or to avoid tax with respect to capital gain or the excise tax imposed on specified undistributed income, we may find it appropriate to arrange for short-term (or possibly long-term) borrowings or to pay distributions in the form of taxable stock dividends (discussed immediately below) or engage in other potentially adverse transactions.

Under some circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying “deficiency dividends” to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being disqualified as a REIT or taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

Record Keeping Requirements. To elect taxation as a REIT under applicable Treasury regulations, we must maintain records and request information from our stockholders designed to disclose the actual ownership of our stock. We intend to comply with these requirements.

Affiliated REITs. If any REIT in which we acquire an interest fails to qualify for taxation as a REIT in any taxable year, that failure could, depending on the circumstances, adversely affect our ability to satisfy the various asset and income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation that is not a REIT or a TRS, as further described above.

Failure to Qualify as a REIT. If we fail to qualify for taxation as a REIT for U.S. federal income tax purposes in any taxable year and the relief provisions do not apply, we will be subject to tax on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify will not be deductible by us, nor will we be required to make those distributions. If we fail to so qualify and the relief provisions do not apply, to the extent of current and accumulated earnings and profits, all distributions to stockholders generally will be taxable at capital gain rates if certain minimum holding period requirements are met, and, subject to specified limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. It is not possible to state whether in all circumstances we would be entitled to statutory relief.

The Dodd-Frank Act

The Dodd-Frank Act made significant structural reforms to the financial services industry. For example, pursuant to the Dodd-Frank Act, various federal agencies have promulgated, or are in the process of promulgating, regulations with respect to various issues that may affect our Company. Certain regulations have already been adopted and others remain under consideration by various governmental agencies, in some cases past the deadlines set in the Dodd-Frank Act for adoption. It is possible that regulations that will be adopted in the future will apply to us or that existing regulations that are currently not applicable to us will begin to apply to us as our business evolves.

Investment Company Act

We have not been and are not currently required to be registered under the Investment Company Act pursuant to Section 3(c)(5) of the Investment Company Act.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer’s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Real estate mortgages are excluded from the term “investment securities.”

We rely on the exception set forth in Section 3(c)(5) of the Investment Company Act, which excludes from the definition of investment company “[a]ny person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following business . . . (C) purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” The SEC generally requires that, for the exception provided by Section 3(c)(5) to be available, at least 55% of an entity’s assets be comprised of mortgages and other liens on and interests in real estate, also known as "qualifying interests," and at least another 25% of the entity's assets must be comprised of additional qualifying interests or real estate-type interests (with no more than 20% of the entity's assets comprised of miscellaneous assets). We believe we qualify for the exemption under this section and our current intention is to continue to focus on originating and investing in loans collateralized by real estate so that at least 55% of our assets are "qualifying interests" and no more than 20% of our assets are miscellaneous assets. However, if, in the future, we do acquire assets that do not meet this test, we may qualify as an "investment company" and be required to register as such under the Investment Company Act, which could have a material adverse effect on us.

The Investment Company Act provides certain protections and imposes certain restrictions on registered investment companies, none of which are currently applicable to us. Our governing documents do not permit any transfer of shares of our common stock that would result in us becoming subject to regulation as an investment company. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

Competition

We operate in a competitive market for the origination and acquisition of attractive lending opportunities. We compete with a variety of institutional investors, including other REITs, debt funds, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, institutional investors, investment banking firms, financial institutions, private equity and hedge funds, and other entities. Some of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Several of our competitors, including other REITs, have recently raised, or are expected to raise, significant amounts of capital and may have investment objectives that overlap with our investment objective, which may create additional competition for lending and other investment opportunities. Some of our competitors may have a lower cost of funds and access to funding sources that may not be available to us or are only available to us on substantially less attractive terms. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exclusion or exemption from the Investment Company Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more lending relationships than we do. Competition may result in realizing fewer investments, higher prices, acceptance of greater risk, greater defaults, lower yields or a narrower spread of yields over our borrowing costs. In addition, competition for attractive investments could delay the investment of our capital.

In the face of this competition, we have access to our Manager's professionals and their financing industry expertise, which may provide us with a competitive advantage in competing effectively for attractive investment opportunities and help us assess risks and determine appropriate pricing for certain potential investments. Although we believe our Manager's expertise and our flexible funding structure provide us with valuable competitive advantages, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, see "*Risk Factors — Risks Related to Our Business and Growth Strategy*."

Human Capital

We are externally managed by our Manager pursuant to the Management Agreement between our Manager and us. Our officers also serve as officers or employees of our Manager and/or its affiliates. We do not have any employees.

Additional Information

We file with or submit to the SEC annual, quarterly, and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). This information is available on our website at *www.refi.reit.* The information on our website is not deemed incorporated by reference in this Annual Report. These documents also may be accessed through the SEC's electronic data gathering, analysis and retrieval system via electronic means, including on the SEC's homepage, which can be found at *www.sec.gov*.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk and should be considered highly speculative. Before making an investment decision, you should carefully consider the following risk factors, which address the material risks concerning our business and an investment in our common stock. If any of the risks discussed below occur, our business, prospects, liquidity, funds from operations, internal rate of return, financial condition and results of operations, and our ability to make distributions to our stockholders could be materially and adversely affected, in which case the value of our common stock could decline significantly and you could lose all or part of your investment. Some statements in the following risk factors constitute forward-looking statements.

Risk Factors Summary

The following is a summary of the principal risks and uncertainties that could adversely affect our business, cash flows, financial condition and/or results of operations, and these adverse impacts may be material. This summary is qualified in its entirety by reference to the more detailed descriptions of the risks and uncertainties included in this Item 1A below and you should read this summary together with those more detailed descriptions. These principal risk and uncertainties relate to, among other things:

Risks Related to Our Business and Growth Strategy

- We have limited operating history, and may not be able to successfully operate our business, integrate new assets and/or manage our growth or to generate sufficient revenue to make or sustain distributions to our stockholders.
- Competition for the capital that we provide may reduce the return of our loans, which could adversely affect our operating results and financial condition.
- We are externally managed by our Manager and our growth and success depends on our Manager, its key personnel and investment professionals, and our Manager's ability to make loans on favorable terms that satisfy our investment strategy and otherwise generate attractive risk-adjusted returns. If our Manager overestimates the yields or incorrectly prices the risks of our loans or if there are any adverse changes in our relationship with our Manager, we may experience losses.

Risks Related to the Cannabis Industry and Related Regulations

- We provide loans to established companies operating in the cannabis industry, which involves significant risks, including the risk to our business of strict enforcement against our borrowers of the federal illegality of cannabis, and the lack of liquidity of such loans. As a result, we could lose all or part of any of our loans.
- Our ability to grow 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 our business under our current business plan and could materially adversely affect our business.
- We will not own real estate as long as it is used in cannabis-related operations due to current statutory prohibitions and exchange listing standards, which may delay or limit our remedies in the event that any of our borrowers default under the terms of their mortgage loans with us.
- If we foreclose on properties securing our loans, we may have difficulty selling the properties due to the nature of specialized industrial cultivation/processing cannabis properties and the potentially limited number of high-quality operators for such properties, as well as for retail/dispensary cannabis properties.
- Certain assets of our borrowers may not be used as collateral or transferred to us due to applicable state laws and regulations governing the cannabis industry, and such restrictions could negatively impact our profitability.
- As a debt investor, we are often not in a position to exert influence on borrowers, and the stockholders and management of such companies may make decisions with which we disagree that could decrease the value of loans to such borrower.

Risks Related to Sources of Financing Our Business

- Our growth depends on external sources of capital, which may not be available on favorable terms or at all.
- Interest rate fluctuations could increase our financing costs, which could lead to a significant decrease in our results of operations, cash flows and the market value of our loans.

Risks Related to Our Organization and Structure

- There are various conflicts of interest in our relationship with our Manager, including conflicts created by our Manager’s compensation arrangements with us, which could result in decisions that are not in the best interests of our stockholders.

- Maintenance of our exemption from registration under the Investment Company Act may impose significant limits on our operations. Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act.

Risks Related to Our Taxation as a REIT

- Failure to qualify as a REIT for U.S. federal income tax purposes would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

- We may incur significant debt, and our governing documents contain no limit on the amount of debt we may incur.

Risks Related to Ownership of Our Common Stock

- We may in the future pay distributions from sources other than our cash flow from operations, including borrowings, offering proceeds or the sale of assets, which means we would have less funds available for investments or less income-producing assets, which may reduce a shareholder's total return.

- The value of our common stock may be volatile and could decline substantially.

Risks Related to Our Business and Growth Strategy

We have limited operating history, and may not be able to operate our business successfully or to generate sufficient revenue to make or sustain distributions to our stockholders.

We were formed on March 30, 2021 and have a limited operating history. As of December 31, 2023, our portfolio consisted of loans to 27 different borrowers. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. We cannot assure you that we will be able to operate our business successfully or profitably, or implement our operating policies. Our ability to provide attractive returns to our stockholders is dependent on our ability both to generate sufficient cash flow to pay our investors attractive distributions and to achieve capital appreciation, and we cannot assure you that we will be able to do either. There can be no assurance that we will be able to generate sufficient revenue from operations to pay our operating expenses and make or sustain distributions to stockholders. Our limited resources may also materially and adversely impact our ability to successfully implement our business plan. The results of our operations and the implementation of our business plan depend on several factors, including the availability of opportunities to make loans, the availability of adequate equity and debt financing, the federal and state regulatory environment relating to the cannabis industry (which are described below under *“— Risks Related to the Cannabis Industry and Related Regulations*”), conditions in the financial markets and economic conditions.

Competition for the capital that we provide may reduce the return of our loans, which could adversely affect our operating results and financial condition.

We compete as an alternative financing provider of debt financing to companies in the cannabis industry. Several competitors have recently entered the marketplace, and these competitors may prevent us from making attractive loans on favorable terms. Our competitors may have greater resources than we do and may be able to compete more effectively as a capital provider. In particular, larger companies may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies.

Additionally, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of loans, deploy more aggressive pricing and establish more relationships than us. Our competitors may also adopt loan structures similar to ours, which would decrease our competitive advantage in offering flexible loan terms. In addition, due to a number of factors (including, but not limited to, potentially greater clarity and/or unification of the laws and regulations governing cannabis by states and the federal government, including through federal legislation or descheduling of cannabis, which may, in turn, encourage additional federally-chartered banks to provide their services to cannabis-related businesses), the number of entities and the amount of funds competing to provide suitable capital may increase, resulting in loans with terms less favorable to investors.

Moreover, we strategically benefit from the cannabis industry’s currently constrained access to U.S. capital markets and if such access is broadened, including if the New York Stock Exchange (the “NYSE”) and/or the Nasdaq Stock Market were to permit the listing of plant-touching cannabis companies in the U.S., the demand among U.S. cannabis companies for private equity investments and debt financings, including our target loans, may materially decrease and could result in our competing with financial institutions that we otherwise would not. Any of the foregoing may lead to a decrease in our profitability, and you may experience a lower return on your investment. Increased competition in providing capital may also preclude us from making those loans that would generate attractive returns to us.

Our loans' lack of liquidity may adversely affect our business.

Our existing portfolio includes, and our future loans will likely include, loans for which no public market exists, which are less liquid than publicly traded debt securities and other securities. Certain of our target investments such as secured loans, mezzanine and other loans (including participations) and preferred equity, in particular, are also particularly illiquid due to a variety of factors, which may include a short life, potential unsuitability for securitization and greater difficulty of recovery in the event of a default or insolvency by the company to which we have provided a loan. The illiquidity of our loans may make it difficult for us to sell such loans if the need or desire arises. Further, applicable laws and regulations restricting the ownership and transferability of loans to regulated cannabis companies in conjunction with many parties not wishing to invest in cannabis businesses as a result of cannabis being federally illegal may make it difficult for us to sell or transfer such loans to third parties. In addition, many of the loans we make, to the extent they constitute securities, will not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or disposition except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. As a result, we may be unable to dispose of such loans in a timely manner or at all. If we are required and able to liquidate all or a portion of our portfolio quickly, we could realize significantly less value than that which we had previously recorded for our loans and we cannot assure you that we will be able to sell our assets at a profit in the future. Further, we may face other restrictions on our ability to liquidate a loan in a company to the extent that we or our Manager have or could be attributed as having material, non-public information regarding such company. Our ability to vary our portfolio in response to changes in economic, regulatory and other conditions or changes in our strategic plan may therefore be relatively limited, which could adversely affect our results of operations and financial condition.

Our real estate investments are subject to risks particular to real property. These risks may result in a reduction or elimination of or return from an investment secured by a particular property.

Real estate investments are subject to various risks, including:

- acts of nature, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of such acts;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations and ordinances;
- costs of remediation and liabilities associated with environmental conditions including, but not limited to, indoor mold; and
- the potential for uninsured or under-insured property losses.

If any of these or similar events occurs, it may cause borrowers to default on their obligations to us and, thereby, reduce our return from an affected property or investment and reduce or eliminate our ability to pay dividends to stockholders.

All of our assets may be subject to recourse.

All of our assets, including any investments made by us and any funds held by us, may be available to satisfy all of our liabilities and other obligations. If we become subject to a liability, parties seeking to have the liability satisfied may have recourse to our assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

Our existing portfolio is, and our future portfolio may be, concentrated in a limited number of loans, which subjects us to an increased risk of significant loss if any asset declines in value or if a particular borrower fails to perform as expected.

Our existing portfolio is, and our future loans may be, concentrated in a limited number of loans. If a significant loan to one or more companies fails to perform as expected, such a failure could have a material adverse effect on our business, financial condition and operating results, and the magnitude of such effect could be more significant than if we had further diversified our portfolio. A consequence of this limited number of loans is that the aggregate returns we realize may be significantly adversely affected if a small number of loans perform poorly, if we need to write down the value of any one loan, if a loan is repaid prior to maturity and we are not able to promptly redeploy the proceeds and/or if an issuer is unable to obtain and maintain commercial success. While we intend to diversify our portfolio of loans as we deem prudent, we do not have fixed guidelines for diversification. As a result, our portfolio could be concentrated in relatively few loans and in a limited number of borrowers.

Our portfolio of loans is concentrated in certain property types or in particular industries, such as cannabis, that may be subject to higher risk of default, or secured by properties concentrated in a limited number of geographic locations, economic and business downturns relating generally to such region or type of asset which may result in defaults on a number of our loans within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders. Further, since we focus on limited-license states, there may be fewer, if any, buyers for a distressed property. Accordingly, we may not be able to receive the full value of the collateral if we exercise our remedies under our loan in connection with a default.

We may lend to multiple borrowers that share a common sponsor. We do not have a limit on the amount of total principal that can be held by multiple borrowers that share the same sponsor. We may face greater credit risk to the extent a large portion of our portfolio is concentrated in loans to multiple borrowers that share the same sponsor.

Our existing portfolio contains loans to companies with operations that are geographically concentrated in Arkansas, Arizona, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nebraska, Nevada, New Jersey, New York, Ohio, Oregon, Pennsylvania, and West Virginia, and we will be subject to social, political and economic risks of doing business in those states and any other state in which we in the future have lending exposure.

Our existing portfolio contains loans to companies with operations that are geographically concentrated in Arkansas, Arizona, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nebraska, Nevada, New Jersey, New York, Ohio, Oregon, Pennsylvania, and West Virginia. While our investment strategy includes a focus on providing loans to companies with operations in states that limit the number of cannabis license issuances in order to protect the value of our collateral, circumstances and developments related to operations in these markets that could negatively affect our business, financial condition, liquidity and results of operations include, but are not limited to, the following factors:

- the development and growth of applicable state cannabis markets;
- the responsibility of complying with multiple and likely conflicting state and federal laws, including with respect to retail sale, distribution, cultivation and manufacturing of cannabis, licensing, banking, and insurance;
- unexpected changes in regulatory requirements and other laws;
- difficulties and costs of managing operations in certain locations;
- potentially adverse tax consequences;
- the impact of national, regional or state specific business cycles and economic instability; and
- access to capital may be more restricted, or unavailable on favorable terms or at all in certain locations.

We will not own real estate as long as it is used in cannabis-related operations due to current statutory prohibitions and exchange listing standards, which may delay or limit our remedies in the event that any of our borrowers default under the terms of their mortgage loans with us.

Although we will have the contractual ability to foreclose on, and take title to, the properties securing our mortgage loans upon a default by the borrower, we will not take title to and own such real estate as long as it is used in cannabis-related operations due to current statutory prohibitions, including Section 856 of the U.S. Controlled Substances Act of 1970, as amended (the “CSA”), which relates to, among other things, the management or control of properties that are used for the manufacturing, distributing or using of any controlled substances. Taking title to real estate used in cannabis-related activities or owning equity in cannabis-related businesses would also violate NASDAQ listing requirements. As a result, in the event of a borrower default, to the extent we determine that taking title to the underlying real estate is the optimal method of maximizing recovery on the defaulted loan, we will be forced to evict the borrower from the real estate and engage a third party to ensure all cannabis is removed from the subject property prior to taking possession. The regulatory requirements related to real property used in cannabis-related operations may cause significant delays or difficulties in transferring a property to another cannabis operator. In addition, any alternative uses of cannabis-related properties may be limited due to the specialized nature of the facilities or may be less profitable than the cannabis-related operations, which would adversely affect the value of the collateral securing our loans and could result in us selling the property at a loss. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our stockholders.

While we may instead pursue other remedies upon any defaults by our borrowers, including forcing a sale of the property to another cannabis operator, pursuing a judicial foreclosure and execution thereof through a sheriff's sale without taking title to the property or using the property for non-cannabis related operations, there can be no assurances that such remedies will be as effective as us taking direct ownership of a property used in cannabis-related operations.

Loans to relatively new and/or small companies and companies operating in the cannabis industry generally involve significant risks.

We primarily seek to provide loans to established companies operating in the cannabis industry, but because the cannabis industry is relatively new and rapidly evolving, some of these companies may be relatively new and/or small companies. Loans to relatively new and/or small companies operating in the cannabis industry generally involve a number of significant risks, including, but not limited to, the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral securing our loan and a reduction in the likelihood of us realizing a return on our loan;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger and more established businesses, which tend to render them more vulnerable to competitors' actions and market conditions (including conditions in the cannabis industry), as well as general economic downturns;
- they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse effect on such borrower and, in turn, on us;
- there is generally less public information about these companies. Unless publicly traded, these companies and their financial information are generally not subject to the regulations that govern public companies, and we may be unable to uncover all material information about these companies, which may prevent us from making a fully informed lending decision and cause us to lose money on our loans;
- they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- we, our executive officers and directors and our Manager may, in the ordinary course of business, be named as defendants in litigation arising from our loans to such borrowers and may, as a result, incur significant costs and expenses in connection with such litigation;
- changes in laws and regulations, as well as their interpretations, may have a disproportionate adverse effect on their business, financial structure or prospects compared to those of larger and more established companies; and
- they may have difficulty accessing capital from other providers on favorable terms or at all.

While one of the loans in our portfolio has defaulted as of the date of this annual report on Form 10-K, there can be no assurance that we will not experience other defaults in the future.

If we are unable to successfully integrate new assets and manage our growth, our results of operations and financial condition may suffer.

We may in the future significantly increase the size and/or change the mix of our portfolio of assets. We may be unable to successfully and efficiently integrate new assets into our existing portfolio or otherwise effectively manage our assets or our growth effectively. In addition, increases in our portfolio of assets and/or changes in the mix of our assets may place significant demands on our Manager's administrative, operational, asset management, financial and other resources. Any failure to manage increases in size effectively could adversely affect our results of operations and financial condition.

We may need to foreclose on loans that are in default, which could result in losses.

We may find it necessary to foreclose on loans that are in default. Foreclosure processes are often lengthy and expensive. Results of foreclosure processes may be uncertain, as claims may be asserted by the relevant borrower or by other creditors or investors in such borrower that interfere with enforcement of our rights, such as claims that challenge the validity or enforceability of our loan or the priority or perfection of our security interests. Our borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against us, including, without limitation, lender liability claims and defenses, even when the assertions may have no merit, in an effort to prolong the foreclosure action and seek to force us into a modification or buy-out of our loan for less than we are owed. Additionally, the transfer of certain collateral to us may be limited or prohibited by applicable laws and regulations. See "*We may make loans that are secured by properties that are, and will be, subject to extensive regulations, such that if such collateral was foreclosed upon those regulations may result in significant costs and materially and adversely affect our business, financial condition, liquidity and results of operations.*"

For transferable collateral, foreclosure or other remedies available may be subject to certain laws and regulations, including the need for regulatory disclosure and/or approval of such transfer. If federal law were to change to permit companies in the cannabis industry to seek federal bankruptcy protection, the applicable borrower could file for bankruptcy, which would have the effect of staying the foreclosure actions and delaying the foreclosure processes and potentially result in reductions or discharges of debt owed to us. Foreclosure may create a negative public perception of the collateral property, resulting in a diminution of its value. Even if we are successful in foreclosing on collateral property securing our loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our loan. Any costs or delays involved in the foreclosure or a liquidation of the underlying property will reduce the net proceeds realized and, thus, increase the potential for loss.

In the event a borrower defaults on any of its obligations to us and such debt obligations are equitized, we do not intend to directly hold such equity interests, which may result in additional losses on our loans made to such entity.

The properties securing our loans may be subject to contingent or unknown liabilities that could adversely affect the value of these properties, and as a result, our loans.

Properties securing our loans may be subject to contingent, unknown or unquantifiable liabilities that may adversely affect the value of our loans. Such defects or deficiencies may include title defects, title disputes, liens or other encumbrances on properties securing our loans to borrowers. The discovery of such unknown defects, deficiencies and liabilities could affect the ability of our borrowers to make payments to us or could affect our ability to foreclose and sell the properties securing such loans, which could adversely affect our results of operations and financial condition. Further, we, our executive officers, directors and our Manager may, in the ordinary course of business, be named as defendants in litigation arising from our loans.

We may in the future foreclose and acquire properties without any recourse, or with only limited recourse, against the prior property owner with respect to contingent or unknown liabilities. As a result, if a claim were asserted against us based on ownership of any of these properties, we may have to pay substantial amounts to defend or settle the claim. If the magnitude of such unknown liabilities is high, individually or in the aggregate, our business, financial condition, liquidity and results of operations would be materially and adversely affected.

Commercial real estate-related investments that are secured, directly or indirectly, by real property are subject to delinquency, foreclosure and loss, which could result in losses to us.

Commercial real estate debt instruments that are secured by commercial property are subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things:

- tenant mix and tenant bankruptcies;
- success of tenant businesses;
- property management decisions, including with respect to capital improvements, particularly in older building structures;
- property location and condition;
- competition from other properties offering the same or similar services;
- changes in laws that increase operating expenses or limit rents that may be charged;
- any liabilities relating to environmental matters at the property;
- changes in national, regional or local economic conditions and/or specific industry segments;

- declines in national, regional or local real estate values;
- declines in national, regional or local rental or occupancy rates;
- changes in interest rates and in the state of the debt and equity capital markets, including diminished availability or lack of debt financing for commercial real estate;
- changes in real estate tax rates and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including environmental legislation;
- acts of God, terrorism, social unrest and civil disturbances, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; and
- adverse changes in zoning laws.

In addition, we are exposed to the risk of judicial proceedings with our borrowers and entities in which we invest, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments could decline and could adversely affect our results of operations and financial condition.

If our Manager overestimates the yields or incorrectly prices the risks of our loans, we may experience losses.

Our Manager values our potential loans based on yields and risks, taking into account estimated future losses and the collateral securing a potential loan, if any, and the estimated impact of these losses on expected future cash flows, returns and appreciation. Our Manager's loss estimates and expectations of future cash flows, returns and appreciation may not prove accurate, as actual results may vary from estimates and expectations. If our Manager underestimates the asset-level losses or overestimates loan yields relative to the price we pay for a particular loan, we may experience losses with respect to such loan.

The due diligence process that our Manager undertakes in regard to investment opportunities may not reveal all facts that may be relevant in connection with an investment and if our Manager incorrectly evaluates the risks of our investments, we may experience losses.

Before making investments for us, our Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances relevant to each potential investment. When conducting diligence, our Manager may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of potential investment. Relying on the resources available to it, our Manager evaluates our potential investments based on criteria it deems appropriate for the relevant investment. Our Manager's loss estimates may not prove accurate, as actual results may vary from estimates. If our Manager underestimates the asset-level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

In addition, it is difficult for real estate debt investors in certain circumstances to receive full transparency with respect to underlying investments because transactions are often effectuated on an indirect basis through pools or conduit vehicles rather than directly with the borrower. Loan structures or the terms of investments may make it difficult for us to monitor and evaluate investments. Therefore, we cannot assure you that our Manager will have knowledge of all information that may adversely affect such investment.

We are subject to additional risks associated with investments in the form of loan participation interests.

We may in the future invest in loan participation interests in which another lender or lenders share with us the rights, obligations and benefits of a commercial mortgage loan made by an originating lender to a borrower. Accordingly, we will not be in privity of contract with a borrower because the other lender or participant is the record holder of the loan and, therefore, we will not have any direct right to any underlying collateral for the loan. These loan participations may be senior, *pari passu* or junior to the interests of the other lender or lenders in respect of distributions from the commercial mortgage loan. Furthermore, we may not be able to control the pursuit of any rights or remedies under the commercial mortgage loan, including enforcement proceedings in the event of default thereunder. In certain cases, the original lender or another participant may be able to take actions in respect of the commercial mortgage loan that are not in our best interests. In addition, in the event that (1) the owner of the loan participation interest does not have the benefit of a perfected security interest in the lender's rights to payments from the borrower under the commercial mortgage loan or (2) there are substantial differences between the terms of the commercial mortgage loan and those of the applicable loan participation interest, such loan participation interest could be recharacterized as an unsecured loan to a lender that is the record holder of the loan in such lender's bankruptcy, and the assets of such lender may not be sufficient to satisfy the terms of such loan participation interest. Accordingly, we may face greater risks from loan participation interests than if we had made first mortgage loans directly to the owners of real estate collateral.

Declines in market prices and liquidity in the capital markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.

Volatility in the capital markets can adversely affect our loan valuations. Decreases in the market values or fair values of our loans are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value (and, as a result our asset coverage calculation) by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized and/or unrealized losses, which could have a material adverse effect on our business, financial condition or results of operations.

The loans and other assets we will obtain may be subject to impairment charges, and we may experience a decline in the fair value of our assets.

We will periodically evaluate the loans we obtain and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based upon factors such as market conditions, borrower performance and legal structure. If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset which could have an adverse effect on our results of operations in the period in which the impairment charge is recorded.

Any credit ratings assigned to our loans will be subject to ongoing evaluations and revisions, and we cannot assure you that those ratings will not be downgraded.

Some of our loans may be rated by rating agencies such as Moody's Investors Service, Fitch Ratings, Standard & Poor's, DBRS, Inc. or Realpoint LLC. Any credit ratings on our loans are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our loans in the future, the value of our loans could significantly decline, which would adversely affect the value of our loan portfolio and could result in losses upon disposition or, in the case of our loans, the failure of borrowers to satisfy their debt service obligations to us. As of December 31, 2023, none of our loans were rated by ratings agencies.

Mezzanine loans, B-Notes and other investments that are subordinated or otherwise junior in an issuer's capital structure, such as preferred equity, and that involve privately negotiated structures will expose us to greater risk of loss.

We have in the past originated, and may in the future originate or acquire, mezzanine loans, B-Notes and other investments that are subordinated or otherwise junior in an issuer's capital structure, such as preferred equity, and that involve privately negotiated structures. To the extent we invest in subordinated debt or mezzanine tranches of an entity's capital structure or preferred equity, such investments and our remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of holders of more senior tranches in the issuer's capital structure and, to the extent applicable, contractual intercreditor and/or participation agreement provisions, which will expose us to greater risk of loss.

As the terms of such loans and investments are subject to contractual relationships among lenders, co-lending agents and others, they can vary significantly in their structural characteristics and other risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Like B-Notes, mezzanine loans are by their nature structurally subordinated to more senior property-level financings. If a borrower defaults on our mezzanine loan or on debt senior to our loan, or if the borrower is in bankruptcy, our mezzanine loan will be satisfied only after the property-level debt and other senior debt is paid in full. As a result, a partial loss in the value of the underlying collateral can result in a total loss of the value of the mezzanine loan. In addition, even if we are able to foreclose on the underlying collateral following a default on a mezzanine loan, we would be substituted for the defaulting borrower and, to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, we may need to commit substantial additional capital and/or deliver a replacement guarantee by a creditworthy entity, which could include us, to stabilize the property and prevent additional defaults to lenders with existing liens on the property.

Loans or investments involving international real estate-related assets are subject to special risks that we may not manage effectively, which would have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

Our investment guidelines permit investments in non-U.S. assets, subject to the same guidelines as investments in U.S. assets. To the extent that we invest in non-U.S. real estate-related assets, we may be subject to certain risks associated with international investment generally, including, among others:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency to another;
- less developed or efficient financial markets than in the United States, which may lead to potential price volatility and relative illiquidity;
- the burdens of complying with international regulatory requirements and prohibitions that differ between jurisdictions;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- a less developed legal or regulatory environment, differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- political hostility to investments by foreign investors;
- higher inflation rates;
- higher transaction costs;
- difficulty enforcing contractual obligations;
- fewer investor protections;
- potentially adverse tax consequences; or
- other economic and political risks.

If any of the foregoing risks were to materialize, they could adversely affect our results of operations and financial condition. While our investment guidelines permit investments in non-U.S. real estate assets, as of December 31, 2023, none of our loans were made to non-U.S. borrowers.

We may not have control over certain of our loans and investments.

Our ability to manage our portfolio of loans and investments may be limited by the form in which they are made. In certain situations, we may:

- acquire investments subject to rights of senior classes, special servicers or collateral managers under intercreditor, servicing agreements or securitization documents;
- pledge our investments as collateral for financing arrangements;
- acquire only a minority and/or a non-controlling participation in an underlying investment;
- co-invest with others through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests; or
- rely on independent third-party management or servicing with respect to the management of an asset.

Therefore, we may not be able to exercise control over all aspects of our loans or investments. Such financial assets may involve risks not present in investments where senior creditors, junior creditors, servicers or third parties controlling investors are not involved. Our rights to control the process following a borrower default may be subject to the rights of senior or junior creditors or servicers whose interests may not be aligned with ours. A partner or co-venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals that are inconsistent with ours, or may be in a position to take action contrary to our investment objective. In addition, we may, in certain circumstances, be liable for the actions of our partners or co-venturers.

Our loans and investments expose us to risks associated with debt-oriented real estate investments generally.

We seek to invest primarily in debt investments in or relating to real estate-related businesses, assets or interests. Any deterioration of real estate fundamentals generally, and in the United States in particular, could negatively impact our performance, increase the default risk applicable to borrowers, and/or make it relatively more difficult for us to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of borrowers and/or the value of underlying real estate collateral relating to our investments and may include economic and/or market fluctuations, changes in environmental, zoning and other laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand of real estate products, fluctuations in real estate fundamentals, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest rates, changes in the availability of debt financing and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy and/or real estate values generally and other factors that are beyond our control.

We cannot predict the degree to which economic conditions generally, and the conditions for real estate debt investing in particular, will improve or decline. Any declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect on our business, financial condition, and results of operations. Market conditions relating to real estate debt investments have evolved since the global financial crisis that began in 2008, which has resulted in a modification to certain loan structures and/or market terms. Any such changes in loan structures and/or market terms may make it relatively more difficult for us to monitor and evaluate our loans and investments.

We may finance first mortgage loans, which may present greater risks than if we had made first mortgages directly to owners of real estate collateral.

Our portfolio may include first mortgage loan-on-loan financings, which are loans made to holders of mortgage loans that are secured by commercial real estate. While we will have certain rights with respect to the real estate collateral underlying a first mortgage loan, the holder of the commercial real estate first mortgage loans may fail to exercise its rights with respect to a default or other adverse action relating to the underlying real estate collateral or fail to promptly notify us of such an event, which would adversely affect our ability to enforce our rights. In addition, in the event of the bankruptcy of the borrower under the first mortgage loan, we may not have full recourse to the assets of the holder of the commercial real estate loan, or the assets of the holder of the commercial real estate loan may not be sufficient to satisfy our first mortgage loan financing. Accordingly, we may face greater risks from our first mortgage loan financings than if we had made first mortgage loans directly to owners of real estate collateral.

Loans on properties in transition will involve a greater risk of loss than conventional mortgage loans.

We may invest in transitional loans to borrowers who are typically seeking short-term capital to be used in an acquisition or rehabilitation of a property. The typical borrower under a transitional loan has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we may not recover some or all of our investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the transitional loan. In the event of any default under transitional loans that may be held by us, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent we suffer such losses with respect to these transitional loans, it could adversely affect our results of operations and financial condition.

Our loans may be risky, and we could lose all or part of our loans.

The debt that we invest in is typically not initially rated by any rating agency, but we believe that if such loans were rated, they would generally be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Ratings Services), which under the guidelines established by these entities is an indication of having predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. Therefore, certain of our loans may result in an above average amount of risk and volatility or loss of principal. While the loans we invest in are often secured, such security does not guarantee that we will receive principal and interest payments according to the terms of the loan, or that the value of any collateral will be sufficient to allow us to recover all or a portion of the outstanding amount of such loan should we be forced to enforce our remedies.

Any distressed loans or investments we make, or loans and investments that later become distressed, may subject us to losses and other risks relating to bankruptcy proceedings.

Our loans and investments may include making distressed investments from time to time (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or may involve investments that become “non-performing” following our acquisition thereof. Certain of our investments may include properties that typically are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or securities of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or securities of other borrowers or issuers. Loans or securities of financially or operationally troubled issuers are less liquid and more volatile than loans or securities of borrowers or issuers not experiencing such difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. Investment in the loans or securities of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk.

In certain limited cases (e.g., in connection with a workout, restructuring and/or foreclosing proceedings involving one or more of our investments), the success of our investment strategy with respect thereto will depend, in part, on our ability to effectuate loan modifications and/or restructure and improve the operations of the borrower entities. The activity of identifying and implementing successful restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that we will be able to identify and implement successful restructuring programs and improvements with respect to any distressed loans or investments we may have from time to time.

These financial difficulties may not be overcome and may cause borrower entities to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that we may incur substantial or total losses on our loans and investments and, in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of our original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding relating to our investments, we may lose our entire investment, may be required to accept cash or securities with a value less than our original investment and/or may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances, payments to us may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay our ability to realize on collateral for loan positions held by us, may adversely affect the economic terms and priority of such loans through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

Construction loans involve an increased risk of loss.

We may invest in construction loans. If we fail to fund our entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including, but not limited to, a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower’s claim against us for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

Investments in construction loans require us to make estimates about the fair value of land improvements that may be challenged by the Internal Revenue Service.

We may invest in construction loans, the interest from which would be qualifying income for purposes of the gross income tests applicable to REITs, provided that the loan value of the real property securing the construction loan was equal to or greater than the highest outstanding principal amount of the construction loan during any taxable year. For purposes of construction loans, the loan value of the real property is generally the fair value of the land plus the reasonably estimated cost of the improvements or developments (other than personal property) that secure the loan and that are to be constructed from the proceeds of the loan. There can be no assurance that the Internal Revenue Service (“IRS”) would not challenge our estimates of the loan values of the real property.

We may in the future enter into credit agreements with borrowers that may permit them to incur debt that ranks equally with, or senior to, the loans we extend to such companies under such credit agreements.

As of December 31, 2023, all but one of our borrowers were restricted from incurring any debt that ranks equally with, or senior to, our loans. We have invested in one position with a principal balance of approximately $20.2 million that is subordinated to other indebtedness of the borrowers, which comprises 5.6% of our total assets. Although our intended investment strategy is to construct a portfolio of loans secured with first priority liens on certain assets of our borrowers, we may in the future enter into credit agreements that rank equally with, or are subordinated to, other debt of our borrowers or that otherwise permit our borrowers to incur other debt that ranks equally with, or senior to, our loans under such credit agreements. In such case, such instruments may, by their terms, provide that the holders of such other debt are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of our loans. These instruments may prohibit borrowers from paying interest on or repaying our loans in the event and during the continuance of a default under such instrument or upon the occurrence of other specified events. In certain cases, we may, and may continue to, obtain unsecured guarantees from the parent entities or subsidiaries of our borrowers in addition to the collateral provided by such borrowers and such guarantees may be effectively subordinated to any secured debt of any such entities and/or structurally subordinated to any debt of such subsidiaries. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a borrower, holders of securities ranking senior to our loan to that borrower, if any, typically are entitled to receive payment in full before we can receive any distribution in respect of our loan. After repaying such holders, the borrower may not have any remaining assets to use for repaying its obligation to us. In the case of securities or other debt ranking equally with our loans, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant borrower.

Some of our borrowers may be highly leveraged.

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

There may be circumstances in which our loans could be subordinated to claims of other creditors, or we could be subject to lender liability claims.

If one of our borrowers were to go bankrupt, depending on the facts and circumstances, a bankruptcy court might re-characterize our loan and subordinate all or a portion of our claim to that of other creditors. In addition, we could be subject to lender liability claims if we are deemed to be too involved in a borrower's business or exercise control over such borrower. For example, we could become subject to a lender's liability claim if, among other things, we actually render significant managerial assistance to a borrower to which we have provided a loan.

As a debt investor, we are often not in a position to exert influence on borrowers, and the stockholders and management of such companies may make decisions with which we disagree and/or that could decrease the value of loans to such borrower.

As a debt investor, we are subject to the risk that a borrower may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, or due to other factors, a borrower may make decisions that could decrease the value of our loan to such borrower.

Due to our borrowers' involvement in the regulated cannabis industry, we currently do not have any insurance coverage. We and our borrowers have, and may continue to have, a difficult time obtaining or maintaining the various insurance policies that are desired to operate our business, which may expose us to additional risk and financial liabilities.

Insurance that is otherwise readily available, such as workers' compensation, general liability, title insurance and directors' and officers' insurance, is more difficult for us and our borrowers to find and more expensive, because of our borrowers' involvement in the regulated cannabis industry. We currently do not have any insurance coverage. There are no guarantees that we or our borrowers will be able to find insurance now or in the future, or that such insurance will be available on economically viable terms. As a result, this may prevent us from entering into certain business sectors, may inhibit our growth, may expose us to additional risk and financial liabilities and, in the case of an uninsured loss, may result in the loss of anticipated cash flow or the value of our loan.

We do not currently have catastrophic insurance policies.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds insufficient to repair or replace an asset if it is damaged or destroyed. We do not currently have insurance policies to protect us from the type of losses described above or restore our economic position with respect to any of our loans, although many of our borrowers do carry such insurance policies. Any uninsured loss could result in the loss of anticipated cash flow from, and the asset value of, the affected asset and the value of our loan related to such asset. In addition, we do not currently carry directors' and officers' insurance.

Subject to the approval of our Manager, our Board (which must include a majority of our independent directors) may change our investment strategies or guidelines, financing strategies or leverage policies without the consent of our stockholders.

Subject to the approval of our Manager, our Board (which must include a majority of our independent directors) may change our investment strategies or guidelines, financing strategies or leverage policies with respect to loans, originations, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time without the consent of our stockholders, which could result in a loan portfolio with a different risk profile than that of our existing portfolio or of a portfolio comprised of our target loans. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market and cannabis industry fluctuations. Furthermore, a change in our asset allocation could result in our making loans in asset categories different from those described in this annual report on Form 10-K. These changes could adversely affect our financial condition, results of operations, the market price of our equity and our ability to make distributions to our stockholders.

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

Our investments include original-issue-discount instruments and contractual PIK-interest arrangements. To the extent OID or PIK-interest constitutes a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- The higher interest rates of OID and PIK instruments reflect the payment deferral, which may result in a higher principal amount at the maturity of the instrument as compared to the original principal amount of the instrument, and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a higher credit risk than traditional coupon-only loans.
- Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.
- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK-income may also create uncertainty about the source of our cash distributions.
- To the extent we provide loans with interest-only payments or moderate loan amortization, the majority of the principal payment or amortization of principal may be deferred until loan maturity. Because this debt generally allows the borrower to make a large lump-sum payment of principal at the end of the loan term, there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity.
- For accounting purposes, any cash distributions to stockholders representing OID and PIK-income are not treated as coming from paid-in capital, but rather retained earnings derived from REIT taxable income.
- In certain cases, our taxable income may exceed our net cash provided by operating activities, as a result, we may have difficulty meeting the annual distribution requirement necessary to maintain our tax treatment as a REIT.

We may pay our Manager an incentive fee on certain investments that include a deferred interest feature.

We underwrite our loans to generally include an end-of-term payment, a PIK interest payment and/or OID. Our end-of-term payments are contractual and fixed interest payments due at the maturity date of the loan, including upon prepayment, and are generally a fixed percentage of the original principal balance of the loan. The portion of our end-of-term payments which equal the difference between our yield-to-maturity and the stated interest rate on the loan are recognized as non-cash income or OID until they are paid.

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

For U.S. federal income tax purposes, we may be required to include in income certain amounts before our receipt of the cash attributable to such amounts, such as OID or PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. For example, such OID or increases in loan balances as a result of PIK interest will be included in income before we receive any corresponding cash payments. Also, we may be required to include in income other amounts that we will not receive in cash, including, for example, non-cash income from PIK securities, deferred payment securities and hedging and foreign currency transactions. In addition, we intend to seek debt investments in the secondary market that represent attractive risk-adjusted returns, taking into account both stated interest rates and current market discounts to par value. Such market discount may be included in income before we receive any corresponding cash payments.

Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the U.S. federal income tax requirement to distribute generally an amount equal to at least 90% of our REIT taxable income to maintain our status as a REIT. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a REIT and thus be subject to additional corporate-level taxes. However, in order to satisfy the Annual Distribution Requirement for a REIT, we may, but have no current intention to, declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion may be as low as 20% of such dividend) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes.

We may expose ourselves to risks associated with the inclusion of non-cash income prior to receipt of cash.

To the extent we invest in OID instruments, including PIK loans and zero coupon bonds, investors will be exposed to the risks associated with the inclusion of such non-cash income in taxable and accounting income prior to receipt of cash.

The deferred nature of payments on PIK loans creates specific risks. Interest payments deferred on a PIK loan are subject to the risk that the borrower may default when the deferred payments are due in cash at the maturity of the loan. Since the payment of PIK income does not result in cash payments to us, we may also have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations (and thus hold higher cash balances, which could reduce returns) to pay our expenses or make distributions to stockholders in the ordinary course of business, even if such loans do not default. An election to defer PIK interest payments by adding them to principal increases our gross assets and, thus, increases future base management fees to the Manager. The deferral of interest on a PIK loan increases its loan-to-value ratio, which is a measure of the riskiness of a loan.

More generally, market prices of OID instruments are more volatile because they are impacted to a greater extent by interest rate changes than instruments that pay interest periodically in cash.

Additionally, we will be required under the tax laws to make distributions of non-cash income to stockholders without receiving any cash. Such required cash distributions may have to be paid from the sale of our assets without investors being given any notice of this fact. The required recognition of non-cash income, including PIK and OID interest, for U.S. federal income tax purposes may have a negative impact on liquidity because it represents a non-cash component of our taxable income that must, nevertheless, be distributed to investors to avoid us being subject to corporate level taxation.

Changes in laws or regulations governing our operations, including laws and regulations governing cannabis and REITs, changes in the interpretation thereof or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business.

We are subject to laws and regulations at the local, state and federal levels, including laws and regulations governing cannabis and REITs by state and federal governments. These laws and regulations, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. We cannot predict the nature and timing of future laws, regulations, interpretations or applications, or their potential effect. However, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with current or new laws or regulations or such changes thereto, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business.

We may not be able to obtain or maintain required licenses and authorizations to conduct our business and may fail to comply with various state and federal laws and regulations applicable to our business.

In general, lending is a highly regulated industry in the United States and we are required to comply with, among other statutes and regulations, certain provisions of the Equal Credit Opportunity Act of 1974 (the "Equal Credit Opportunity Act") that are applicable to commercial loans, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"), regulations promulgated by the Office of Foreign Assets Control, various laws, rules and regulations related to the cannabis industry and U.S. federal and state securities laws and regulations. In addition, certain states have adopted laws or regulations that may, among other requirements, require licensing of lenders and financiers, prescribe disclosures of certain contractual terms, impose limitations on interest rates and other charges, and limit or prohibit certain collection practices and creditor remedies.

There is no guarantee that we will be able to obtain, maintain or renew any required licenses or authorizations to conduct our business or that we would not experience significant delays in obtaining these licenses and authorizations. As a result, we could be delayed in conducting certain business if we were first required to obtain certain licenses or authorizations or if renewals thereof were delayed. Furthermore, once licenses are issued and authorizations are obtained, we are required to comply with various information reporting and other regulatory requirements to maintain those licenses and authorizations, and there is no assurance that we will be able to satisfy those requirements or other regulatory requirements applicable to our business on an ongoing basis, which may restrict our business and could expose us to penalties or other claims.

Any failure to obtain, maintain or renew required licenses and authorizations or failure to comply with regulatory requirements that are applicable to our business could result in material fines and disruption to our business and could have a material adverse effect on our business, financial condition, operating results and our ability to make distributions to our stockholders.

Uncertainty and adverse changes in macroeconomic conditions of markets in which we participate and increased costs of energy, labor, construction materials and other factors could have an adverse impact on our financial performance and results of operations.

Our business and the companies with which we do business are subject to risks and uncertainties caused by factors beyond our control. Such factors include economic pressures related to high inflation, rising interest rates, economic weakness or recession, as well as geopolitical and public health events such as the Russia-Ukraine and Israel-Hamas wars, pandemics, and workforce expectations.

These and other similar conditions and events have resulted in, and could lead to a tightening of credit and capital markets, lower levels of liquidity, lower consumer and business spending, unemployment, declines in real estate values, increases in employee-related costs, and other adverse economic conditions. These changes may negatively affect the performance of our borrowers, increase exposure to credit losses, increase the cost and decrease the availability of financing, or increase our recurring operational costs.

Risks Related to the Cannabis Industry and Related Regulations

Cannabis remains illegal under federal law, and therefore, strict enforcement of federal laws regarding cannabis would likely result in our inability to execute our business plan.

Cannabis, other than hemp, is a Schedule I controlled substance under the CSA. Even in states or territories that have legalized cannabis to some extent, the cultivation, possession and sale of cannabis all remain violations of federal law that are punishable by imprisonment, substantial fines and forfeiture. Moreover, individuals and entities may violate federal law if they aid and abet another in violating these federal controlled substance laws, or conspire with another to violate them, and violating the federal cannabis laws is a predicate for certain other crimes under the anti-money laundering laws or The Racketeer Influenced and Corrupt Organizations Act. Monitoring our compliance with these laws is a critical component of our business. The U.S. Supreme Court has ruled that the federal government has the authority to regulate and criminalize the sale, possession and use of cannabis, even for individual medical purposes, regardless of whether it is legal under state law.

For several years, the U.S. government has not enforced those laws against cannabis companies complying with state law and their vendors. We would likely be unable to execute our business plan if the federal government were to reverse its long-standing hands-off approach to the state legal cannabis markets, described below, and start strictly enforcing federal law regarding cannabis.

On January 4, 2018, then acting U.S. Attorney General Jeff Sessions issued a memorandum for all U.S. Attorneys (the “Sessions Memo”) rescinding certain past DOJ memoranda on cannabis law enforcement, including the Memorandum by former Deputy Attorney General James Michael Cole (the “Cole Memo”) issued on August 29, 2013, under President Obama’s administration. Describing the criminal enforcement of federal cannabis prohibitions against those complying with state cannabis regulatory systems as an inefficient use of federal investigative and prosecutorial resources, the Cole Memo identified a list of federal enforcement priorities, including preventing interstate diversion or distribution of cannabis to minors, to focus enforcement efforts against operations that implicated these priorities. The Sessions Memo, which remains in effect, states that each U.S. Attorney’s Office should follow established principles that govern all federal prosecutions when deciding which cannabis activities to prosecute. As a result, federal prosecutors could and still can use their prosecutorial discretion to decide to prosecute even state-legal cannabis activities. Since the Sessions Memo was issued over five years ago, however, U.S. Attorneys have not prosecuted state law compliant entities.

Former Attorney General William Barr testified in his confirmation hearing on January 15, 2019, that he would not upset “settled expectations,” “investments,” or other “reliance interest[s]” arising as a result of the Cole Memo, and that he does not intend to use federal resources to enforce federal cannabis laws in states that have legalized cannabis “to the extent people are complying with the state laws.” He stated: “My approach to this would be not to upset settled expectations and the reliance interest that have arisen as a result of the Cole Memorandum and investments have been made and so there has been reliance on it, so I don’t think it’s appropriate to upset those interests.” He also implied that the CSA’s prohibitions of cannabis may be null in states that have legalized cannabis:

“[T]he current situation … is almost like a back door nullification of federal law.” Industry observers generally have not interpreted Attorney General Barr’s comments to suggest that the DOJ would proceed with cases against participants who entered the state-legal industry after the Cole Memo had been rescinded.

President Biden, at the time he won the Democratic Party nomination for President, affirmed that his administration would seek to “[d]ecriminalize marijuana use and legalize marijuana for medical purposes at the federal level”; “allow states to make their own decisions about legalizing recreational use”; and “automatically expunge all past marijuana convictions for use and possession.” While his promise to decriminalize marijuana likely would mean that the federal government would not criminally enforce the Schedule II status against state legal entities, the implications are not entirely clear. Although the U.S. Attorney General could order federal prosecutors not to interfere with cannabis businesses operating in compliance with states’ laws, the President alone cannot legalize medical cannabis, and as states have demonstrated, legalizing medical cannabis can take many different forms. Although President Biden issued a proclamation in October 2022 asking the Secretary of Health and Human Services and the Attorney General to review “expeditiously . . . how marijuana is scheduled under federal law,” the agencies have not released a formal update on their progress. Even in an expedited format, the re- or descheduling process could take months, or even years. A total de-scheduling of cannabis is unlikely, but entirely removing it from the schedule under the Controlled Substances Act would similarly eliminate the money laundering and aiding-and-abetting risks currently posed by providing financial services to cannabis businesses. Rescheduling cannabis to CSA Schedule II would ease certain research restrictions, it would not make the state medical or adult use programs federally legal. Additionally, President Biden has not appointed any known proponents of cannabis legalization to the Office of National Drug Control Policy transition team. Furthermore, while industry observers are hopeful that changes in Congress, along with a Biden presidency, will increase the chances of banking reform, such as the SAFE Banking Act, we cannot provide assurances that a bill legalizing cannabis would be approved by Congress.

Federal prosecutors have significant discretion, and no assurance can be given that the federal prosecutor in each judicial district where we make a loan will not choose to strictly enforce the federal laws governing cannabis manufacturing or distribution. Any change in the federal government’s enforcement posture with respect to state-licensed cultivation of cannabis, including the enforcement postures of individual federal prosecutors in judicial districts where we make our loans, would result in our inability to execute our business plan, and we would likely suffer significant losses with respect to our loans to cannabis industry participants in the United States, which would adversely affect our operations, cash flow and financial condition.

We believe that the basis for the federal government’s perceived détente with the cannabis industry extends beyond the strong public sentiment and ongoing prosecutorial discretion. Since 2014, versions of the U.S. omnibus spending bill have included a provision prohibiting the DOJ, which includes the Drug Enforcement Administration, from using appropriated funds to prevent states from implementing their medical-use cannabis laws. In *United States v. McIntosh*, the U.S. Court of Appeals for the Ninth Circuit held that the provision prohibits the DOJ from spending funds to prosecute individuals who engage in conduct permitted by state medical-use cannabis laws and who “strictly” comply with such laws. The court noted that, if the provision were not continued, prosecutors could enforce against conduct occurring during the statute of limitations even while the provision were previously in force. Similarly, the U.S. Court of Appeals for the First Circuit also considered the provision in *United States v. Bilodeau* and likewise concluded that the provision does not prohibit federal prosecution of persons and entities engaged in medical cannabis operations that violate state law. In that same opinion, however, the Court concluded that “strict” compliance with the law is not necessary, such that technical noncompliance could not lead to prosecution. Other courts that have considered the issue have ruled similarly, although courts disagree about which party bears the burden of proof of showing compliance or noncompliance with state law.

Our loans do not prohibit our borrowers from engaging in the cannabis business for adult-use that is permissible under state and local laws. Consequently, certain of our borrowers currently (and may in the future) cultivate adult-use cannabis with the proceeds of our loans, if permitted by such state and local laws now or in the future. This could subject our borrowers to greater and/or different federal legal and other risks as compared to businesses where cannabis is cultivated exclusively for medical use, which could materially adversely affect our business.

Our ability to grow our business depends on current state laws pertaining to the cannabis industry. New laws that are adverse to our borrowers may be enacted at the federal or state level, 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 our business under our current business plan and could materially adversely affect our business.

Continued development of the cannabis industry depends upon continued legislative authorization of cannabis at the state level, along with no significant adverse regulatory efforts at the federal level. The status quo of, or progress in, the regulated cannabis industry, while encouraging, is not assured and any number of factors could slow or halt further progress in this area. While there may be ample public support for legislative action permitting the manufacture and use of cannabis, numerous factors impact and can delay the legislative and regulatory processes. For example, many states that legalized medical-use and/or adult-use cannabis have seen significant delays in the drafting and implementation of industry regulations and issuance of licenses. In addition, burdensome regulations at the state level could slow or stop further development of the medical-use and/or adult-use cannabis industry, such as limiting the medical conditions for which medical-use cannabis can be recommended, restricting the form in which medical-use or adult-use cannabis can be consumed, or imposing significant taxes on the growth, processing and/or retail sales of cannabis, each of which could have the impact of dampening growth of the cannabis industry and making it difficult for cannabis businesses, including our borrowers, to operate profitably in those states. Any one of these factors could slow or halt additional legislative authorization of cannabis, which could harm our business prospects.

FDA regulation of cannabis could negatively affect the cannabis industry, which would directly affect our financial condition.

Should the federal government legalize cannabis for adult-use and/or medical-use, it is possible that the U.S. Food and Drug Administration (the "FDA") may have some role in regulating certain cannabis product. Indeed, after the U.S. government removed hemp and its extracts from the CSA as part of the Agriculture Improvement Act of 2008, then FDA Commissioner Scott Gottlieb issued a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the Federal Food, Drug and Cosmetic Act (the "FD&C Act") and section 351 of the Public Health Service Act." He also reminded the public that "it's unlawful under the FD&C Act to introduce food containing added cannabidiol ("CBD") or tetrahydrocannabinol ("THC") into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived," and regardless of whether health claims are made, because CBD and THC entered the FDA testing pipeline as the subject of public substantial clinical investigations for GW Pharmaceuticals' Sativex (THC and CBD) and Epidiolex (CBD). The memo added that, prior to introduction into interstate commerce, any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., therapeutic benefit, disease prevention, etc.) must first be approved by the FDA for its intended use through one of the drug approval pathways. Notably, the FDA can look beyond the product's express claims to find that a product is a "drug." The definition of "drug" under the FDCA includes, in relevant part, "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals" as well as "articles intended for use as a component of [a drug as defined in the other sections of the definition]." 21 U.S.C. § 321(g)(1). In determining "intended use," the FDA has traditionally looked beyond a product's label to statements made on websites, on social media, or orally by the company's representatives.

While the FDA has not yet enforced against the cannabis industry, it has sent numerous warning letters to sellers of CBD products making health claims. The FDA could turn its attention to the cannabis industry. In addition to requiring FDA approval of cannabis products marketed as drugs, the FDA could issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of cannabis. It is also possible that the FDA would require that facilities where cannabis is grown register with the FDA and comply with certain federally prescribed regulations. Cannabis facilities are currently regulated by state and local governments. In the event that some or all of these federal enforcement and regulations are imposed, we do not know what the impact would be on the cannabis industry, including what costs, requirements and possible prohibitions may be enforced. If we or our borrowers are unable to comply with the regulations or registration as prescribed by the FDA, we and/or our borrowers may be unable to continue to operate our and their business in its current form or at all.

We and our borrowers may have difficulty accessing the service of banks and other financial institutions, and we may be limited in our ability to provide debt to participants in the cannabis industry, which could materially and adversely affect our business, financial condition, liquidity and results of operations.

Certain financial transactions involving proceeds from the trafficking of cannabis can form a basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the Financial Crimes Enforcement Network, a division of the U.S. Department of the Treasury, clarified how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. While the federal government has not initiated financial crimes prosecutions against state-law compliant cannabis companies or their vendors, the government theoretically could, at least against companies in the adult-use markets. The continued uncertainty surrounding financial transactions related to cannabis activities may result in financial institutions discontinuing services to the cannabis industry or limit our ability to provide loans to the cannabis industry.

Consequently, those businesses involved in the regulated cannabis industry continue to encounter difficulty establishing banking relationships, which could increase over time. Our inability to maintain our current bank accounts or service our lending relationships would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges and could result in our inability to implement our business plan.

The terms of our loans require that our borrowers make payments on such loans via check, ACH, or wire transfer. Only a small percentage of financial institutions in the United States currently provide banking services to licensed companies operating in the cannabis industry. The inability of our current and potential borrowers to open accounts and continue using the services of banks will limit their ability to enter into debt arrangements with us or may result in their default under our debt agreements, either of which could materially harm our business, operations, cash flow and financial condition.

Laws and regulations affecting the regulated cannabis industry are continually changing, which could materially adversely affect our proposed operations, and we cannot predict the impact that future regulations may have on us.

Local, state and federal cannabis laws and regulations have been evolving rapidly and are subject to varied interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan and could negatively impact our borrowers or prospective borrowers, which in turn could negatively impact our business. It is also possible that regulations may be enacted in the future that will be directly applicable to our proposed business. We can know neither the nature of any future laws, regulations, interpretations or applications nor the effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. For example, if cannabis is no longer illegal under federal law, we may experience a significant increase in competition. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business.

Applicable state laws may prevent us from maximizing our potential income.

Depending on the state, and the laws of that particular state, we may not be able to fully realize our potential to generate profit. For example, some states have residency requirements for those directly involved in the cannabis industry, which may impede our ability to contract with cannabis businesses in those states. Furthermore, cities and counties are being given broad discretion to ban certain cannabis activities. Even if these activities are legal under state law, specific cities and counties may ban them.

Loans to cannabis businesses may be forfeited to the federal government.

Any assets used in conjunction with the violation of federal law are potentially subject to federal forfeiture, even in states that have legalized cannabis. In July 2017, the DOJ issued a new policy directive regarding asset forfeiture, referred to as the “equitable sharing program.” This policy directive represents a reversal of DOJ’s policy under President Obama’s administration, and allows for forfeitures to proceed that are not in accord with the limitations imposed by state-specific forfeiture laws. This policy directive could lead to increased use of asset forfeitures by local, state and federal enforcement agencies. If the federal government decides to initiate forfeiture proceedings against cannabis businesses, such as the cannabis facilities that are owned or utilized by our borrowers, our loans to our borrowers would likely be materially and adversely affected.

We may have difficulty accessing bankruptcy courts.

Because cannabis is illegal under federal law, federal bankruptcy protection is currently not available to parties who engage in the cannabis industry or cannabis-related businesses. Recent bankruptcy rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute cannabis assets as such action would violate the CSA. Therefore, we may not be able to seek the protection of the bankruptcy courts, and this could materially affect our business or our ability to obtain credit.

The loans we make may include Canadian entities within their corporate structure that have the ability to seek insolvency protections in Canada, which could materially and adversely affect our business.

The loans that we make may include U.S.-based companies operating in the cannabis industry with at least one Canadian entity within their corporate structure for the purpose of listing on the CSE. In May 2020, a U.S.-based cannabis company that is listed on the CSE filed for, and was granted, insolvency protection under the Companies’ Creditors Arrangement Act pursuant to Canadian law. If the applicable borrower obtains bankruptcy protections in Canada, it could restrict our ability, or create additional costs or delays involved in our efforts, to foreclose on the collateral, which will reduce the net proceeds realized and, thus, increase the potential for loss.

We may make loans that are secured by properties that are, and will be, subject to extensive regulations, such that if such collateral was foreclosed upon those regulations may result in significant costs and materially and adversely affect our business, financial condition, liquidity and results of operations.

We may make loans that are secured by properties that are, and will be, subject to various local laws and regulatory requirements, and we would be subject to such requirements if such collateral was foreclosed upon. Local property regulations may restrict the use of collateral or our ability to foreclose on the collateral. Among other things, these restrictions may relate to cultivation of cannabis, the use of water and the discharge of wastewater, fire and safety, seismic conditions, asbestos-cleanup or hazardous material abatement requirements. Due to current statutory prohibitions and exchange listing standards, we will not own any real estate used in cannabis-related operations. While our loan agreements and related mortgages provide for foreclosure remedies, receivership remedies and/or other remedies that would allow us to cause the sale or other realization of real property collateral, the regulatory requirements and statutory prohibitions related to real property used in cannabis-related operations may cause significant delays or difficulties in realizing upon the expected value of such real property collateral. We make no assurance that existing regulatory policies will not materially and adversely affect the value of such collateral, or that additional regulations will not be adopted that would increase such potential material adverse effect. The negative effect on such collateral could have a material adverse effect on our business, financial condition, liquidity and results of operations.

If we foreclose on properties securing our loans, we may have difficulty selling the properties due to the nature of specialized industrial cultivation/processing cannabis properties and the potentially limited number of high-quality operators for such properties, as well as for retail/dispensary cannabis properties.

Specialized industrial cultivation/processing cannabis properties are highly specialized and require substantial investment to make them suitable for such uses. In addition, there may be a limited number of high-quality operators of specialized industrial cultivation/processing and retail/dispensary cannabis properties or a limited number of operators in a particular market that have completed the state-licensing process. As a result, if we foreclose on properties securing our loans, we may have difficulty selling such properties and may be forced to sell a property to a lower quality operator. To the extent there is a change in law or we are unable to find a suitable cannabis operator, we may be forced to sell a property at a loss to a party outside of the cannabis industry. Any of the foregoing could materially and adversely affect the value of our assets and our results of operations, financial condition and ability to pay dividends to our stockholders.

Certain assets of our borrowers may not be used as collateral or transferred to us due to applicable state laws and regulations governing the cannabis industry, and such restrictions could negatively impact our profitability.

Each state that has legalized cannabis in some form has adopted its own set of laws and regulations that differ from one another. In particular, laws and regulations differ among states regarding the collateralization or transferability of cannabis-related assets, such as cannabis licenses, cannabis inventory, and ownership interests in licensed cannabis companies. Some state laws and regulations where our borrowers operate may prohibit the collateralization or transferability of certain cannabis-related assets. Other states may allow the collateralization or transferability of cannabis-related assets, but with restrictions, such as meeting certain eligibility requirements, utilization of state receiverships, and/or upon approval by the applicable regulatory authority. Prohibitions or restrictions on our ability to acquire certain cannabis-related assets securing the loans of our borrowers could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Specifically, there is no limitation under state law on foreclosing on the real estate underlying the loans that we hold; however, to the extent the real estate is still being used in cannabis-related activities, we will not foreclose and take title to such real estate as doing so would violate NASDAQ listing standards. If we determine to foreclose on the real estate underlying a defaulted loan, we would have a third party collateral manager evict the tenant and have the cannabis equipment and inventory removed from such property. With respect to equipment, receivables and cash accounts, there are no limitations under state law regarding our ability to foreclose on such collateral. Foreclosing on pledged equity is subject to approval by the applicable state regulator as it would trigger a change of control, which has to be approved by the state regulator, in its discretion. Our loans are secured by liens on equity, including the equity in the entity that holds the state-issued license to cultivate, process, distribute, or retail cannabis, as the case may be, but we will not take title to such equity as doing so would violate NASDAQ listing standards. We also cannot foreclose on liens on state licenses as they are generally not transferable, nor do we have liens on cannabis inventory.

Our ability to force a sale of our real estate collateral in Arkansas, Arizona, California, Florida, Illinois, Michigan, Missouri, Nevada, New Jersey, Ohio and Pennsylvania is governed by judicial foreclosure. Under judicial foreclosure, we can enforce a judgment in foreclosure by a writ of execution. The writ directs the sheriff, clerk, special master, referee or other authorized person, as the case may be, to levy on and sell the real property, commonly at a properly noticed public auction. In Maryland, Massachusetts and West Virginia, a trustee or appointed auctioneer sells the property at a public sale.

We 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. The appointment of a receiver to manage the property does not render us a mortgagee-in-possession. A receiver serves as an officer of the court, appointed to preserve the value of the real property and the income from the real property during the pendency of foreclosure proceedings or trustee sales.

Equipment, receivables, and cash in deposit accounts may be collected under state Uniform Commercial Code (*"UCC"*). In all states, we are permitted for non-real estate collateral (e.g., equipment) to pursue a judicial action and execute on a judgment via sheriffs' sale.

While we cannot foreclose under UCC and take title or sell equity in a licensed cannabis business, a potential purchaser of a delinquent or defaulted loan could. However, the transfer of ownership of equity in a licensed cannabis business requires state regulator approval, which can take significant time.

In addition, if a borrower defaults on a loan from us and we seek to cause a sale of the collateral, the sales of such assets may be forced upon the borrower at such point when time may be of the essence. Therefore, the assets may be made available to a limited number of potential purchasers, and particularly in limited-license states in which we focus, the sales prices may be less than the prices obtained with more time in a larger market. As a result, the sale of such collateral may not result in sufficient proceeds to repay our loan and could have a material and adverse effect on our business, financial condition, liquidity and results of operations.

Liability relating to environmental matters may impact the value of properties that we may acquire upon foreclosure of the properties securing our loans.

To the extent we foreclose on properties securing our loans, we may be subject to environmental liabilities arising from such foreclosed properties. In particular, cannabis cultivation and manufacturing facilities may present environmental concerns of which we are not currently aware. Under various federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. Accordingly, if environmental contamination exists on properties we acquire or develop after acquisition, we could become subject to liability for the contamination.

The presence of hazardous substances may adversely affect an owner's ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property securing one of our loans becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant loan held by us and our ability to make distributions to our stockholders.

If we foreclose on any properties securing our loans, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to any properties securing our loans could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

The market value of properties securing our loans acquired by us upon foreclosure may decrease if they cannot be used for cannabis related operations.

Properties used for cannabis operations, particularly cultivation and manufacturing facilities, are generally more valuable than if used for other purposes. If we are unable to sell a property securing our loans to a licensed cannabis company for similar use and we, therefore, must foreclose on such property, we may recover significantly less than the expected value of the foreclosed property, thereby having a material adverse effect on our business, financial condition, liquidity and results of operations.

Risks Related to Sources of Financing Our Business

Our growth depends on external sources of capital, which may not be available on favorable terms or at all.

We intend to grow by expanding our portfolio of loans, which we intend to finance primarily through newly issued equity or debt. We may not be in a position to take advantage of attractive lending opportunities for growth if we are unable, due to global or regional economic uncertainty, changes in the state or federal regulatory environment relating to our business, our own operating or financial performance or otherwise, to access capital markets on a timely basis and on favorable terms or at all. In addition, U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gain and certain non-cash income, and that it pay U.S. federal income tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. Because we intend to grow our business, this limitation may require us to raise additional equity or incur debt at a time when it may be disadvantageous to do so.

Our access to capital will depend upon a number of factors over which we have little or no control, including, but not limited to:

- general economic or market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- the current regulatory environment with respect to our business; and
- our current and potential future earnings and cash distributions.

If general economic instability or downturn leads to an inability to borrow at attractive rates or at all, our ability to obtain capital to finance our loans to borrowers could be negatively impacted. In addition, while we do not consider our Company to be engaged in the cannabis industry, banks and other financial institutions may be reluctant to enter into lending transactions with us, particularly secured lending, because we invest in companies involved in the cultivation, manufacturing and sale of cannabis.

If we are unable to obtain capital on terms and conditions that we find acceptable, we likely will have to reduce the loans we make. In addition, our ability to refinance all or any debt we may incur in the future, on acceptable terms or at all, is subject to all of the above factors, and will also be affected by our future financial position, results of operations and cash flows, which additional factors are also subject to significant uncertainties, and therefore we may be unable to refinance any debt we may incur in the future, as it matures, on acceptable terms or at all. All of these events would have a material adverse effect on our business, financial condition, liquidity and results of operations.

Global economic, political and market conditions could have a significant adverse effect on our business, financial condition, cash flows and results of operations.

Downgrades by rating agencies to the U.S. government's credit rating or concerns about its credit and deficit levels in general could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U.S. government credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our equity. Additionally, concerns regarding a potential increase in inflation would likely cause interest rates and borrowing costs to rise.

Deterioration in the economic conditions in the Eurozone and globally, including instability in financial markets, may pose a risk to our business. In recent years, financial markets have been affected at times by a number of global macroeconomic and political events, including the following: large sovereign debts and fiscal deficits of several countries in Europe and in emerging markets jurisdictions, levels of non-performing loans on the balance sheets of European banks, the potential effect of any European country leaving the Eurozone, the potential effect of the United Kingdom leaving the European Union, and market volatility and loss of investor confidence driven by political events. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

Various social and political circumstances in the U.S. and around the world (including wars and other forms of conflict, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics or outbreaks of infectious diseases), may also contribute to increased market volatility and economic uncertainties or deterioration in the U.S. and worldwide. Such events, including trade tensions between the United States and China, other uncertainties regarding actual and potential shifts in U.S. and foreign, trade, economic and other policies with other countries, the Russia-Ukraine war and more recently the Israel-Hamas war and health epidemics and pandemics, could adversely affect our business, financial condition, cash flows and results of operations. These market and economic disruptions could also negatively impact the operating results of our borrowers.

We may incur significant debt, which may subject us to restrictive covenants and increased risk of loss and may reduce cash available for distributions to our stockholders, and our governing documents contain no limit on the amount of debt we may incur.

Subject to market conditions and availability, we may incur significant debt through bank credit facilities (including term loans and revolving facilities), public and private debt issuances and derivative instruments, in addition to transaction or asset specific funding arrangements. The percentage of leverage we employ will vary depending on our available capital, our ability to obtain and access financing arrangements with lenders, debt restrictions contained in those financing arrangements and the lenders' and rating agencies' estimate of the stability of our loan portfolio's cash flow. Our governing documents contain no limit on the amount of debt we may incur, and we may significantly increase the amount of leverage we utilize at any time without approval of our stockholders. Leverage can enhance our potential returns but can also exacerbate our losses. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including, but not limited to, the risks that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt we incur or we may fail to comply with all of the other covenants contained in such debt, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow unused amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements, and/or (iii) the loss of some or all of our assets to foreclosure or sale;

- we may be unable to borrow additional funds as needed or on favorable terms, or at all;
- to the extent we borrow debt that bears interest at variable rates, increases in interest rates could materially increase our interest expense;
- our default under any loan with cross-default provisions could result in a default on other indebtedness;
- incurring debt may increase our vulnerability to adverse economic and industry conditions with no assurance that loan yields will increase with higher financing costs;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on the debt we may incur, thereby reducing funds available for operations, future business opportunities, stockholder distributions, including distributions currently contemplated or necessary to satisfy the requirements for REIT qualification, or other purposes; and
- we are not able to refinance debt that matures prior to the loan it was used to finance on favorable terms, or at all.

There can be no assurance that a leveraging strategy will be successful. If any one of these events were to occur, our financial condition, results of operations, cash flow, and our ability to make distributions to our stockholders could be materially and adversely affected.

Interest rate fluctuations could increase our financing costs, which could lead to a significant decrease in our results of operations, cash flows and the market value of our loans.

Our primary interest rate exposures will relate to the financing cost of our debt. To the extent that our financing costs will be determined by reference to floating rates, the amount of such costs will depend on a variety of factors, including, without limitation, (i) for collateralized debt, the value and liquidity of the collateral, and for non-collateralized debt, our credit, (ii) the level and movement of interest rates, and (iii) general market conditions and liquidity. In a period of rising interest rates, our interest expense on floating-rate debt would increase, while any additional interest income we earn on our floating-rate loans may not compensate for such increase in interest expense. At the same time, the interest income we earn on our fixed-rate loans would not change, the duration and weighted average life of our fixed-rate loans would increase and the market value of our fixed-rate loans would decrease. Similarly, in a period of declining interest rates, our interest income on floating-rate loans would decrease, while any decrease in the interest we are charged on our floating-rate debt may not compensate for such decrease in interest income and interest we are charged on our fixed-rate debt would not change. Any such scenario could materially and adversely affect us.

Additionally, the Federal Reserve has raised the Federal Funds Rate multiple times since March 2022 and interest rates may remain elevated in 2024. These developments, along with the United States government's credit and deficit concerns, global economic uncertainties and market volatility and the impacts of any current or future global health pandemics, could cause interest rates to be volatile, which may negatively impact our ability to access the capital markets on favorable terms.

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

During the year ended December 31, 2023, 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 has raised interest rates multiple times since March 2022 to combat inflation and restore price stability and interest rates may remain elevated in 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.

Any bank credit facilities that we may use in the future to finance our operations may require us to provide collateral or pay down debt.

We may utilize bank credit facilities (including term loans and revolving facilities) to finance our loans if they become available on acceptable terms. We may not have the funds available to repay our debt at that time, which would likely result in defaults unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all. If we cannot meet these requirements, lenders could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from it, which could materially and adversely affect our financial condition and ability to implement our investment strategy. In addition, if a lender files for bankruptcy or becomes insolvent, our loans may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of such loans. Such an event could restrict our access to bank credit facilities and increase our cost of capital. The providers of bank credit facilities may also require us to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position that would allow us to satisfy our collateral obligations. As a result, we may not be able to obtain leverage as fully as we would choose, which could reduce the return on our loans. If we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate rapidly.

In addition, there can be no assurance that we will be able to obtain bank credit facilities on favorable terms, or at all. Banks and other financial institutions may be reluctant to enter into lending transactions with us.

Adoption of the Basel III standards and other proposed supplementary regulatory standards may negatively impact our access to financing or affect the terms of our future financing arrangements.

In response to various financial crises and the volatility of financial markets, the Basel Committee on Banking Supervision adopted the Basel III standards several years ago to reform, among other things, bank capital adequacy, stress testing, and market liquidity risk. United States regulators have elected to implement substantially all of the Basel III standards and have even implemented rules requiring enhanced supplementary leverage ratio standards, which impose capital requirements more stringent than those of the Basel III standards for the most systematically significant banking organizations in the United States. Adoption and implementation of the Basel III standards and the supplemental regulatory standards adopted by United States regulators may negatively impact our access to financing or affect the terms of our future financing arrangements due to an increase in capital requirements for, and constraints on, the financial institutions from which we may borrow.

Moreover, in January 2019, the Basel Committee published its revised capital requirements for market risk, known as Fundamental Review of the Trading Book (“FRTB”), which are expected to generally result in higher global capital requirements for banks that could, in turn, reduce liquidity and increase financing and hedging costs. The impact of FRTB will not be known until after any resulting rules are finalized and implemented by the United States federal bank regulatory agencies.

Risks Related to Our Organization and Structure

Provisions in our Charter and our amended and restated bylaws (our “Bylaws”) may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Our Charter and our Bylaws contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our Charter and Bylaws include, among others, provisions that:

- authorize our Board, without stockholder approval, to cause us to issue additional shares of our common stock or to raise capital through the creation and issuance of our preferred stock, debt securities convertible into common stock, options, warrants and other rights, on terms and for consideration as our Board in its sole discretion may determine;
- authorize “blank check” preferred stock, which could be issued by our Board without stockholder approval, subject to certain specified limitations, and may contain voting, liquidation, dividend and other rights senior to our common stock;
- specify that only our Board, the chairman of our Board, our chief executive officer or president or, upon the written request of stockholders entitled to cast not less than a majority of the votes entitled to be cast, our secretary can call special meetings of our stockholders;
- establish advance notice procedures for stockholder proposals to be brought before an annual or special meeting of our stockholders, including proposed nominations of individuals for election to our Board;
- provide that a majority of directors then in office, even though less than a quorum, may fill any vacancy on our Board, whether resulting from an increase in the number of directors or otherwise; and
- provide our Board the exclusive power to adopt, alter or repeal any provision of our Bylaws and to make new Bylaws.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

Any provision of our Charter or Bylaws that has the effect of delaying or deterring a change in control could limit your opportunity to receive a premium for your shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. Any person or entity purchasing or otherwise acquiring any interest in shares of our stock shall be deemed to have notice of and to have consented to the provisions of our Charter and Bylaws described above.

Our Board may approve the issuance of stock, including preferred stock, with terms that may discourage a third party from acquiring us.

Our Charter permits our Board, without any action by our stockholders, to authorize the issuance of stock in one or more classes or series. Our Board may also classify or reclassify any unissued shares of stock and set or change the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of any such stock, which rights may be superior to those of our common stock. Thus, our Board could authorize the issuance of shares of a class or series of stock with terms and conditions which could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of our outstanding common stock might receive a premium for their shares over the then current market price of our common stock.

Certain provisions of the Maryland General Corporation Law, or MGCL, could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

We are a Maryland corporation and subject to the MGCL. Under the MGCL, certain "business combinations" between a Maryland corporation and an "interested stockholder" or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as: (a) any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the then-outstanding voting stock of a corporation; or (b) an affiliate or associate of a corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding stock of such corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the expiration of the five-year period described above, any business combination between a Maryland corporation and an interested stockholder must generally be recommended by the board of directors of such corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then-outstanding shares of voting stock of such corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of such corporation, other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected, or held by an affiliate or associate of the interested stockholder.

These supermajority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The MGCL also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. By resolution of our Board, we have opted out of the business combination provisions of the MGCL and provide that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our Board (including a majority of directors who are not affiliates or associates of such persons).

In addition, under the MGCL, holders of our "control shares" (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of issued and outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares. Our Bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that this exemption will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board, without stockholder approval and regardless of what is currently provided in our Charter or Bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have.

Our Bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders and provide that claims relating to causes of action under the Securities Act may only be brought in federal district courts, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees, if any, and could discourage lawsuits against us and our directors, officers and employees, if any.

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, (b) any derivative action or proceeding brought on our behalf (other than actions arising under federal securities laws), (c) any action asserting a claim of breach of any duty owed by any of our directors, officers or other employees to us or to our stockholders, (d) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL or our Charter or Bylaws or (e) any other action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. These choice of forum provisions will not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act, or any other claim for which federal courts have exclusive jurisdiction. Furthermore, our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any claim arising under the Securities Act.

These exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers, or employees, if any, which may discourage such lawsuits against us and our directors, officers, and employees, if any. Alternatively, if a court were to find the choice of forum provisions contained in our Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and operating results. For example, under the Securities Act, federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. In addition, the exclusive forum provisions described above do not apply to any actions brought under the Exchange Act.

Ownership limitations contained in the Charter may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

For us to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) at any time during the last half of a taxable year. For the purpose of assisting our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our Charter prohibits beneficial or constructive ownership by any person of more than a certain percentage, currently 9.8%, in value or by number of shares, whichever is more restrictive, of the outstanding shares of our common stock or 9.8% in value of our outstanding shares of all classes or series of our stock, which we refer to as the "ownership limits." The constructive ownership rules under the Code and our Charter are complex and may cause shares of the outstanding common stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 9.8% of our outstanding common stock or all classes or series of our stock by a person could cause a person to own constructively in excess of 9.8% of the outstanding shares of our common stock or in excess of 9.8% of the outstanding shares of all class and series of our stock, respectively, and thus violate the ownership limits. There can be no assurance that our Board, as permitted in the Charter, will not decrease the ownership limits in the future. Any attempt to own or transfer shares of our common stock in excess of the ownership limits without the consent of our Board will result either in the shares in excess of the limit being transferred by operation of the Charter to a charitable trust, and the person who attempted to acquire such excess shares will not have any rights in such shares, or in the transfer being void. The ownership limits may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). In addition, our Board has granted conditional exceptions to the ownership limits to affiliates of our Sponsor, which may limit our Board's power to increase the ownership limits or grant further exemptions in the future.

Maintenance of our exemption from registration under the Investment Company Act may impose significant limits on our operations. Your investment return in our common stock may be reduced if we are required to register as an investment company under the Investment Company Act.

We intend to continue to conduct our operations so that we will be exempt from the provisions of the Investment Company Act pursuant to an exemption contained in 3(c)(5)(C) thereunder. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur leverage), none of which will be applicable to us.

We rely on the exception set forth in Section 3(c)(5) of the Investment Company Act, which excludes from the definition of investment company "[a]ny person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following businesses . . . (C) purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The SEC generally requires that, for the exception provided by Section 3(c)(5) to be available, at least 55% of an entity's assets be comprised of mortgages and other liens on and interests in real estate, also known as "qualifying interests," and at least another 25% of the entity's assets must be comprised of additional qualifying interests or real estate-type interests (with no more than 20% of the entity's assets comprised of miscellaneous assets).

We classify our assets for purposes of our 3(c)(5)(C) exemption based upon no-action positions taken by the SEC staff and interpretive guidance provided by the SEC and its staff. These no-action positions are based on specific factual situations that may be substantially different from the factual situations we may face. No assurance can be given that the SEC or its staff will concur with our classification of our assets. In addition, the SEC or its staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of the Investment Company Act. If we are required to reclassify our assets, we may no longer be in compliance with the exemption from the definition of an investment company provided by Section 3(c)(5)(C) of the Investment Company Act.

A change in the value of any of our assets could negatively affect our ability to maintain our exemption from regulation under the Investment Company Act. To maintain compliance with the applicable exemption under the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

A failure by us to maintain this exemption would require us to significantly restructure our investment strategy. For example, because affiliated transactions are generally prohibited under the Investment Company Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, which could have a material adverse effect on our ability to operate the business and pay distributions. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of such entity and liquidate its business.

Rapid and steep declines in the values of our real estate-related investments may make it more difficult for us to maintain our qualification as a REIT or exemption from the Investment Company Act.

If the market value or income potential of real estate-related investments declines as a result of increased interest rates or other factors, we may need to increase our real estate loans and income and/or liquidate our non-qualifying assets in order to maintain our REIT qualification or exemption from the Investment Company Act. If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets that we may own. We may have to make investment decisions that we otherwise would not make absent REIT and Investment Company Act considerations.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Our Charter eliminates the liability of our directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law and our Charter, our directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action adjudicated.

Our Charter obligates us to indemnify each of our directors or officers who is or is threatened to be made a party to or witness in a proceeding by reason of his or her service in those or certain other capacities, to the maximum extent permitted by Maryland law, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her status as a present or former director or officer of us or serving in such other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former directors and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our stockholders may have more limited rights to recover money damages from our directors and officers than might otherwise exist absent these provisions in our Charter or that might exist with other companies, which could limit your recourse in the event of actions that are not in our best interests.

Future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and liquidity and disputes between us and our joint venture partners.

We may in the future make investments through joint ventures. Such joint venture investments may involve risks not otherwise present when we originate or acquire investments without partners, including the following:

- we may not have exclusive control over the investment or the joint venture, which may prevent us from taking actions that are in our best interest;
- joint venture agreements often restrict the transfer of a partner's interest or may otherwise restrict our ability to sell the interest when we desire and/or on advantageous terms;
- any future joint venture agreements may contain buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner's interest or selling its interest to that partner;
- we may not be in a position to exercise sole decision-making authority regarding the investment or joint venture, which could create the potential risk of creating impasses on decisions, such as with respect to acquisitions or dispositions;
- a partner may, at any time, have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals;
- a partner may be in a position to take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT and our exclusion or exemption from registration under the Investment Company Act;
- a partner may fail to fund its share of required capital contributions or may become bankrupt, which may mean that we and any other remaining partners generally would remain liable for the joint venture's liabilities;
- our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the applicable joint venture agreements and, in such event, we may not continue to own or operate the interests or investments underlying such relationship or may need to purchase such interests or investments at a premium to the market price to continue ownership;
- disputes between us and a partner may result in litigation or arbitration that could increase our expenses and prevent our Manager and our officers and directors from focusing their time and efforts on our business and could result in subjecting the investments owned by the joint venture to additional risk; or
- we may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to maintain our qualification as a REIT or our exclusion or exemption from registration under the Investment Company Act, even though we do not control the joint venture.

Any of the above may subject us to liabilities in excess of those contemplated and adversely affect the value of our future joint venture investments.

Risks Related to Our Relationship with Our Manager and its Affiliates

Our future success depends on our Manager and its key personnel and investment professionals. We may not find a suitable replacement for our Manager if our Management Agreement is terminated or if such key personnel or investment professionals leave the employment of our Manager or otherwise become unavailable to us.

We rely on the resources of our Manager to manage our day-to-day operations, as we do not separately employ any personnel. We rely completely on our Manager to provide us with investment advisory services and general management services. Each of our executive officers also serve as officers or employees of our Manager. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the officers, key personnel and investment professionals of our Manager as well as the information and deal flow generated by such individuals. The officers, key personnel and investment professionals of our Manager source, evaluate, negotiate, close and monitor our loans; therefore, our success depends on their continued service. The departure of any of the officers, key personnel and investment professionals of our Manager could have a material adverse effect on our business.

None of our officers are obligated to dedicate any specific portion of their time to our business. Each of them may have significant responsibilities for other investment vehicles managed by affiliates of our Manager. As a result, the time these individuals may be able to devote to the management of our business could be limited. Further, when there are turbulent conditions in the real estate markets or distress in the credit markets, the attention of our Manager's personnel and our executive officers and the resources of our Manager may also be required by other investment vehicles managed by affiliates of our Manager.

In addition, we offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager's officers, key personnel and investment professionals due to the termination of the Management Agreement, our Manager being acquired, or due to other circumstances. Currently, we are managed by our Board and our officers and by our Manager, as provided for under our Management Agreement. The initial term of the Management Agreement will expire on May 1, 2024, and will be automatically renewed for one-year terms thereafter unless otherwise terminated. Furthermore, our Manager may decline to renew the Management Agreement with 90 days' written notice prior to the expiration of the renewal term. If the Management Agreement is terminated and we are unable to find a suitable replacement for our Manager, we may not be able to execute its investment strategy.

Our growth depends on the ability of our Manager to make loans on favorable terms that satisfy our investment strategy and otherwise generate attractive risk-adjusted returns initially and consistently from time to time.

Our ability to achieve our investment objective depends on our ability to grow, which depends, in turn, on the management and investment teams of our Manager and their ability to identify and to make loans on favorable terms in accordance with our investment strategy as well as on our access to financing on acceptable terms. The demands on the time of the professional staff of our Manager will increase as our portfolio grows and the management of our existing portfolio may divert our Manager's attention from future potential loans or otherwise slow our rate of investment. Our Manager may be unable to successfully and efficiently integrate new loans into our existing portfolio or otherwise effectively manage our assets or our future growth effectively. We cannot assure you that our Manager will be able to hire, train, supervise, manage and retain new officers and employees to manage future growth effectively, and any such failure could have a material adverse effect on our business. The failure to consummate loans on advantageous terms without substantial expense or delay would impede our growth, would negatively affect our results of operations and our ability to generate cash flow and make distributions to our stockholders, and could cause the value of our common stock to decline.

There are various conflicts of interest in our relationship with our Manager that could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with our Manager and its affiliates. We are managed by our Manager, and our executive officers are employees of our Manager. There is no guarantee that the policies and procedures adopted by us, the terms and conditions of the Management Agreement or the policies and procedures adopted by our Manager and its affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest.

Some examples of conflicts of interest that may arise by virtue of our relationship with our Manager include:

Manager's advisory activities. While our Manager and its affiliates have agreed that for so long as our Manager is managing us, neither it nor any of its affiliates will sponsor or manage any other mortgage REIT that invests primarily in loans of the same kind as our Company, our Manager and its affiliates may otherwise manage other investment vehicles that have investment objectives that compete or overlap with, and may from time to time invest in, our target asset classes. This may apply to existing investment vehicles or investment vehicles that may be organized in the future. Consequently, we, on the one hand, and these other investment vehicles, on the other hand, may from time to time pursue the same or similar loan opportunities. To the extent such other investment vehicles seek to acquire the same target assets as us, the scope of opportunities otherwise available to us may be adversely affected and/or reduced. Our Manager or its affiliates may also give advice to such other investment vehicles that may differ from the advice given to us even though their investment objectives may be the same or similar to ours.

Allocation of loans. Our Manager and its affiliates endeavor to allocate loan opportunities in a fair and equitable manner, subject to their internal policies. The internal policies of our Manager and its affiliates, which may be amended without our consent, are intended to enable us to share equitably with any other investment vehicles that are managed by our Manager or affiliates of our Manager. In general, loan opportunities are allocated taking into consideration various factors, including, among others, the relevant investment vehicles' available capital, their investment objectives or strategies, their risk profiles and their existing or prior positions in a borrower or particular loan, their potential conflicts of interest, the nature of the opportunity and market conditions, as well as the rotation of loan opportunities. Nevertheless, it is possible that we may not be given the opportunity to participate in certain loans made by investment vehicles managed by our Manager or affiliates of our Manager. In addition, there may be conflicts in the allocation of loan opportunities among us and the investment vehicles that our Manager or affiliates of our Manager manage in the future.

Co-investments. 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. Such loans may raise potential conflicts of interest between us and such other investment vehicles. To the extent such investment vehicles seek to acquire the same target assets as us, subject to the internal policies of our Manager and its affiliates described above, the scope of opportunities otherwise available to us may be adversely affected and/or reduced. In such circumstances, the size of the investment opportunity in loans otherwise available to us may be less than it would otherwise have been, and we may participate in such opportunities on different and potentially less favorable economic terms than such other parties if our Manager deems such participation as being otherwise in our best interests. Furthermore, when such other investment vehicles have interests or requirements that do not align with our interests, including differing liquidity needs or desired investment horizons, conflicts may arise in the manner in which any voting or control rights are exercised with respect to the relevant borrower, potentially resulting in an adverse impact on us. If we participate in a co-investment with an investment vehicle managed by our Manager or an affiliate of our Manager and such vehicle fails to fund a future advance on a loan, we may be required to, or we may elect to, cover such advance and invest additional funds. In addition, if we and such other investment vehicles invest in different classes or types of debt, equity or other investments relating to the same borrower, actions may be taken by such other investment vehicles that are adverse to our interests, including, but not limited to, during a work-out, restructuring or insolvency proceeding or similar matter occurring with respect to such loan.

Loans in which other investment vehicles managed by our Manager or affiliates of our Manager hold different loans. We may invest in, acquire, sell assets to or provide financing to investment vehicles managed by our Manager or affiliates of our Manager and their borrowers or purchase assets from, sell assets to, or arrange financing from any such investment vehicles and their borrowers. Any such transactions will require approval by a majority of our independent directors. There can be no assurance that any procedural protections will be sufficient to ensure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm's-length transaction.

Fees and expenses. We will be responsible for certain fees and expenses as determined by our Manager, including due diligence costs, legal, accounting and financial advisor fees and related costs, incurred in connection with evaluating and consummating loan opportunities, regardless of whether such loans are ultimately consummated by the parties thereto.

The ability of our Manager and its officers and employees to engage in other business activities may reduce the time our Manager spends managing our business and may result in certain conflicts of interest.

Certain of our officers and directors and the officers and other personnel of our Manager also serve or may serve as officers, directors or partners of certain affiliates of our Manager, as well as investment vehicles sponsored by such affiliates, including investment vehicles or managed accounts not yet established, whether managed or sponsored by affiliates or our Manager. Accordingly, the ability of our Manager and its officers and employees to engage in other business activities may reduce the time our Manager spends managing our business. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our Manager and its officers and employees will not be devoted exclusively to our business; instead, it will be allocated between our business and the management of these other investment vehicles.

In the course of our investing activities, we pay Base Management Fees to our Manager and will reimburse our Manager for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive any distributions on a "net" basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct loans. As a result of this arrangement, our Manager's interests may be less aligned with our interests.

Our Management Agreement with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party, and the manner of determining the Base Management Fees may not provide sufficient incentive to our Manager to maximize risk-adjusted returns for our portfolio since it is based on the book value of our equity per annum and not on our performance.

We rely completely on our Manager to provide us with investment advisory and general management services. Our executive officers also serve as officers or employees of our Manager. Our Management Agreement was negotiated between related parties and their terms, including fees payable, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

We pay our Manager Base Management Fees regardless of the performance of our portfolio. Pursuant to the terms of our Management Agreement, our Manager receives Base Management Fees that are calculated and payable quarterly in arrears in cash, in an amount equal to 0.375% (1.50% on an annualized basis) of our Equity, subject to certain adjustments, including any agency fees relating to our loans, but excluding the Incentive Compensation and any diligence fees paid to and earned by our Manager and paid by third parties in connection with our Manager's due diligence of potential loans. Such Base Management Fees will be calculated and payable quarterly in arrears in cash, subject to certain adjustments. Our Manager's entitlement to the Base Management Fees, which are not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking loans that provide attractive risk-adjusted returns for our portfolio. Further, the Base Management Fee structure gives our Manager the incentive to maximize the book value of our equity raised by the issuance of new equity securities or the retention of existing equity value, regardless of the effect of these actions on existing stockholders. In other words, the Base Management Fee structure will reward our Manager primarily based on the size of our equity raised and not necessarily on our financial returns to stockholders. This in turn could hurt both our ability to make distributions to our stockholders and the market price of our common stock.

The Incentive Compensation payable to our Manager under the Management Agreement may cause our Manager to select riskier loans to increase its Incentive Compensation.

In addition to the Base Management Fees, our Manager is entitled to receive Incentive Compensation under our Management Agreement. Under our Management Agreement, we pay Incentive Compensation to our Manager based upon our achievement of targeted levels of Core Earnings. "Core Earnings" is generally defined in our Management Agreement as, for a given period, the net income (loss) computed in accordance with generally accepted accounting principals ("GAAP"), excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss); provided that Core Earnings does not exclude, in the case of loans 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, and (v) one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between our Manager and our independent directors and after approval by a majority of such independent directors.

In evaluating loans and other management strategies, the opportunity to earn Incentive Compensation based on Core Earnings and realized profits, as applicable, may lead our Manager to place undue emphasis on the maximization of Core Earnings and realized profits at the expense of other criteria, such as preservation of capital, in order to achieve higher Incentive Compensation. Loans with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our loan portfolio.

Terminating our Management Agreement for unsatisfactory performance of our Manager or electing not to renew the Management Agreement may be difficult, and terminating our Management Agreement in certain circumstances requires payment of a substantial termination fee.

Terminating our Management Agreement without cause is difficult and costly. Our independent directors and the Audit Committee of our Board will review our Manager's performance and the applicable Base Management Fees and Incentive Compensation at least annually. Upon 90 days' written notice prior to the expiration of any renewal term, our Management Agreement may be terminated upon the affirmative vote of at least a majority of our independent directors, based upon unsatisfactory performance by our Manager that is materially detrimental to us. The Management Agreement provides that upon any termination as described in the foregoing, we would pay our Manager a Termination Fee equal to three times the sum of the annualized average quarterly Base Management Fees and annualized average quarterly Incentive Compensation received from us during the 24-month period immediately preceding the most recently completed fiscal quarter prior to such termination. This provision increases the cost to us of terminating the Management Agreement and adversely affects our ability to terminate our Manager without cause.

Even if we terminate our Management Agreement for cause, we may be required to continue to retain our Manager for 30 days following the occurrence of events giving rise to a for-cause termination.

While we have the right to terminate our Management Agreement for cause without paying a Termination Fee, we must provide 30 days' notice to our Manager in advance of any such termination, including in the event of our Manager's fraud, misappropriation of funds, embezzlement or bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties. As a result, we would be forced to continue to pay our Manager during such 30-day period and we may not be able to find a suitable replacement for our Manager during this period or, if we were able to find a suitable replacement, we may be required to compensate the new manager while continuing to pay our terminated Manager during this 30-day period, unless our Manager waives the notice requirement. This could have an adverse effect on our business and operations, which could adversely affect our operating results and our ability to make distributions to our stockholders.

Our Manager manages our portfolio in accordance with very broad investment guidelines and our Board does not approve each loan and financing decision made by our Manager, which may result in us making riskier loans than those currently comprising our existing portfolio.

While our Board periodically reviews our loan portfolio, it does not review all proposed loans. In addition, in conducting periodic reviews, such directors may rely primarily on information provided to them by our Manager. Our Investment Guidelines (as defined below) may be changed from time to time upon recommendation by our Manager and approval by a majority of our Board (which must include a majority of the independent directors of our Board) and our Manager, without stockholders' consent. Furthermore, our Manager may use complex strategies and loans entered into by our Manager that may be difficult or impossible to unwind by the time they are reviewed by our Board. Our Manager has great latitude in determining the types of loans that are proper for us, which could result in loan returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results. In addition, our Manager is 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. Decisions made and loans entered into by our Manager may not fully reflect your best interests.

Our Manager may change its investment process, or elect not to follow it, without the consent of our stockholders and at any time, which may adversely affect the performance of our portfolio.

Our Manager may change its investment process without the consent of our stockholders and at any time. In addition, there can be no assurance that our Manager will follow its investment process in relation to the identification and underwriting of prospective loans. Changes in our Manager's investment process may result in inferior, among other things, due diligence and underwriting standards, which may adversely affect the performance of our portfolio.

In addition to other analytical tools, our Manager may utilize financial models to evaluate loan opportunities, the accuracy and effectiveness of which cannot be guaranteed.

In addition to other analytical tools, our Manager may utilize financial models to evaluate loan opportunities, the accuracy and effectiveness of which cannot be guaranteed. In all cases, financial models are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that our Manager's projected results will be attained and actual results may vary significantly from the projections. General economic and industry-specific conditions, which are not predictable, can have an adverse impact on the reliability of projections.

Our Manager's and its affiliates' liability is limited under the Management Agreement, and we have agreed to indemnify our Manager against certain liabilities. As a result, we could experience poor performance or losses for which our Manager and its affiliates would not be liable.

Pursuant to the Management Agreement, our Manager does not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our Board in following or declining to follow its advice or recommendations. Under the terms of the Management Agreement, our Manager, its affiliates, and any of their respective members, stockholders, managers, partners, trustees, personnel, officers, directors, employees, consultants and any person providing sub-advisory services to our Manager (collectively, the "Manager Parties") will not be liable to us for acts or omissions performed in accordance with and pursuant to the Management Agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the relevant Management Agreement. In addition, we have agreed to indemnify the Manager Parties with respect to all losses, damages, liabilities, demands, charges and claims of any nature whatsoever, and any and all expenses, costs and fees related thereto, arising from acts or omissions of the Manager Parties not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the Management Agreement. We have also entered into indemnification agreements with the members of the Manager's Investment Committee to indemnify and advance certain fees, costs and expenses to such individuals, subject to certain standards to be met and certain other limitations and conditions as set forth in such indemnification agreements. These protections may lead our Manager to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Risks Related to Our Taxation as a REIT

Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We intend to operate in a manner so as to continue to qualify as a REIT for U.S. federal income tax purposes. We believe that our organization and method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT. However, we cannot assure you that we will qualify as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code, and regulations promulgated by the U.S. Treasury Department thereunder ("Treasury Regulations") as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. In addition, while we intend to take the position that we and certain of our affiliates are treated as separate entities for purposes of determining whether we qualify as a REIT, there can be no guarantee that the IRS will agree with our position. If we and certain of our affiliates are treated as the same entity for this purpose, we may not qualify as a REIT. Furthermore, future legislation, new regulations, administrative interpretations or court decisions may significantly change the U.S. tax laws or the application of the U.S. tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for distributions paid to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to increased state and local taxes; and

- unless we are entitled to relief under statutory provisions, we would not be able to re-elect to be taxed as a REIT for four taxable years following the year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions to remain qualified as a REIT for U.S. federal income tax purposes. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, in order to meet the REIT qualification requirements or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold certain assets through one or more to-be-formed taxable REIT subsidiaries that will be subject to corporate-level income tax at regular rates. In addition, if we lend money to a taxable REIT subsidiary (including loans to partnerships or limited liability companies in which a taxable REIT subsidiary owns an interest), the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to us, which could result in an increased corporate-level tax liability. Any of these taxes would decrease cash available for distribution to our stockholders.

REIT distribution requirements could adversely affect our ability to exercise our business plan and liquidity and may force us to borrow funds during unfavorable market conditions.

In order to maintain our REIT status and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. In addition, we may need to reserve cash to satisfy our REIT distribution requirements, even though there are attractive lending opportunities that may be available. To qualify as a REIT, we must distribute to our stockholders at least 90% of our net taxable income each year, without regard to the deduction for dividends paid and excluding capital gains and certain non-cash income. In addition, we will be subject to corporate income tax to the extent we distribute less than 100% of our taxable income, including any net capital gain. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation to the extent consistent with our business objectives. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. In addition, if the IRS were to disallow certain of our deductions, such as management fees, depreciation or interest expense, by alleging that we, through our business operations and/or loan agreements with state-licensed cannabis borrowers, are subject to Section 280E of the Code or otherwise, we could be unable to meet the distribution requirements and would fail to qualify as a REIT. Likewise, any governmental fine on us would not be deductible, and the inability to deduct such fines could cause us to be unable to satisfy the distribution requirement.

The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. To address and/or mitigate some of these issues, we may make taxable distributions that are in part paid in cash and in part paid in our equity. In such cases, our stockholders may have tax liabilities from such distributions in excess of the cash they receive. The treatment of such taxable stock distributions is not entirely clear, and it is possible the taxable stock distribution will not count towards our distribution requirement, in which case adverse consequences could apply.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive loans.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets and the amounts we distribute to our stockholders. In order to meet these tests, we may be required to forego loans that we might otherwise make or liquidate loans we might otherwise continue to hold. Thus, compliance with the REIT requirements may hinder our performance by limiting our ability to make and/or maintain ownership of certain otherwise attractive loans.

Temporary investment in short-term securities and income from such investment generally will allow us to satisfy various REIT income and asset qualifications, but only during the one-year period beginning on the date we receive such net proceeds from our initial public offering. If we are unable to invest a sufficient amount of the net proceeds of our initial public offering in qualifying real estate assets within such one-year period, we could fail to satisfy the gross income tests and/or we could be limited to investing all or a portion of any remaining funds in cash. If we fail to satisfy such income test, unless we are entitled to relief under certain provisions of the Code, we could fail to qualify as a REIT.

The tax on prohibited transactions will limit our ability to engage in certain loans involving the sale or other disposition of property or that would otherwise subject us to a 100% penalty tax.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business. Although we do not intend to hold a significant amount of assets as inventory or primarily for sale to customers in the ordinary course of our business, the characterization of an asset sale as a prohibited transaction depends on the particular facts and circumstances. The Code provides a safe harbor that, if met, allows a REIT to avoid being treated as engaged in a prohibited transaction. We may sell certain assets in transactions that do not meet all of the requirements of such safe harbor if we believe the transaction would nevertheless not be a prohibited transaction based on an analysis of all of the relevant facts and circumstances. If the IRS were to successfully argue that such a sale was in fact a prohibited transaction, we would be subject to a 100% penalty tax on any net income from such sale. In addition, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales, even though the sales might otherwise be beneficial to us.

Legislative, regulatory or administrative tax changes related to REITs could materially and adversely affect our business.

At any time, the U.S. federal income tax laws or Treasury Regulations governing REITs, or the administrative interpretations of those laws or regulations, may be changed, possibly with retroactive effect. We cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Dividends payable by REITs generally do not qualify for reduced tax rates applicable to qualified dividend income.

The maximum U.S. federal income tax rate for certain qualified dividends payable to individual U.S. stockholders is 20%. Dividends payable by REITs, however, are generally not qualified dividends and therefore are not eligible for taxation at the reduced rates. However, to the extent such dividends are attributable to certain dividends that we receive from a taxable REIT subsidiary or to income from a prior year that was retained by us and subject to corporate tax, such dividends generally will be eligible for the reduced rates that apply to qualified dividend income. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our equity. However, through the 2025 tax year, individual U.S. stockholders may be entitled to claim a deduction in determining their taxable income of 20% of ordinary REIT dividends (dividends other than capital gain dividends and dividends attributable to qualified dividend income received by us, if any). If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us. Stockholders are urged to consult tax advisers regarding the effect of this change on the effective tax rate with respect to REIT dividends.

The ability of our Board to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

The Charter provides that our Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if our Board determines that it is no longer in our best interest to attempt to, or continue to, qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our net taxable income and we generally would no longer be required to distribute any of our net taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

Complying with REIT requirements may limit our ability to hedge our operational risks effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge risks relating to its operations. Any income from a hedging transaction that we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of both of the gross income tests.

To the extent the business interest deductions of our subsidiaries, if any, are deferred or disallowed, our taxable income may exceed our cash available for distributions to stockholders.

Code Section 163(j) limits the deductibility of "business interest" for both individuals and corporations. Certain real property trades or businesses are permitted to elect out of this limitation, but we do not expect this election to be available to us. To the extent our interest deductions or those of our subsidiaries, if any, are deferred or disallowed under Code Section 163(j) or any other provision of law, our taxable income may exceed our cash available for distribution to our stockholders. As a result, there is a risk that we may have taxable income in excess of cash available for distribution. In that event, we may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this "phantom income" is recognized.

Risks Related to Ownership of Our Common Stock

As significant beneficial owners of our Manager, our founders can exert significant influence over our corporate actions and important corporate matters.

Our founders, Mr. Mazarakis, our Executive Chairman, Mr. Cappell, our Co-Chief Executive Officer, and Dr. Bodmeier, our President, beneficially own approximately 5.7% of our outstanding equity. Our founders also own 100% of the outstanding equity of our Manager.

Our founders could therefore exert substantial influence over our corporate matters, such as electing directors and approving material mergers, acquisitions, strategic partnerships or other business combination transactions, as applicable. This concentration of ownership may discourage, delay or prevent a change in control which could have the dual effect of depriving our stockholders from an opportunity to receive a premium for their equity as part of a sale of our Company and otherwise reducing the price of such equity.

The market price for our common stock may be volatile, which could contribute to the loss of all or part of your investment.

The market price and liquidity of the market for our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. Some of the factors that could negatively affect or result in fluctuations in the market price of our common stock include:

- our actual or projected operating results, financial condition, cash flows and liquidity or changes in business strategy or prospects;
- changes in governmental policies, regulations or laws;
- loss of a major funding source or inability to obtain new favorable funding sources in the future;
- equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur;
- actual, anticipated or perceived accounting or internal control problems;
- publication of research reports about us, the real estate industry or the cannabis industry;
- our value of the properties securing our loans;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we may incur in the future;
- additions to or departures of the executive officers or key personnel supporting or assisting us from our Manager or its affiliates, including our Manager's investment professionals;
- speculation in the press or investment community about us or other similar companies;
- our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts;
- increases in market interest rates, which may lead investors to demand a higher distribution yield for our common stock (if we have begun to make distributions to our stockholders) and which could cause the cost of our interest expenses on our debt to increase;
- failure to qualify or maintain our qualification as a REIT or exclusion from the Investment Company Act;

- price and volume fluctuations in the stock market generally; and
- general market and economic conditions, including the state of the credit and capital markets.

Any of the factors listed above could materially adversely affect your investment in our common stock, and our common stock may trade at prices significantly below the initial public offering price, which could contribute to a loss of all or part of your investment. In such circumstances the trading price of our common stock may not recover and may experience a further decline.

In addition, broad market and industry factors could materially adversely affect the market price of our common stock, irrespective of our operating performance. The stock market in general, and Nasdaq and the market for cannabis-related companies and REITs have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of ours, may not be predictable. A loss of investor confidence in the market for finance companies or for those companies in the cannabis industry or the stocks of other companies which investors perceive to be similar to us, the opportunities in the finance or cannabis market or the stock market in general, could depress our stock price regardless of our business, financial condition, results of operations or growth prospects.

The value of our equity securities could be materially and adversely affected by our level of cash distributions.

The value of the equity securities of a company whose principal business is similar to ours is based primarily upon investors' perception of its growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the market value of its underlying assets. For that reason, our equity may be valued at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the price at which our equity could trade. Our failure to meet investors' expectations with regard to future earnings and cash distributions likely would materially and adversely affect the valuation of our equity.

Future offerings of debt securities, which would rank senior to our common stock upon a bankruptcy liquidation, and future offerings of equity securities that may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the value of our stock.

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. As the cannabis industry continues to evolve and to the extent that additional states legalize cannabis, we expect the demand for capital to continue to increase as operators seek to enter and build out new markets. We expect the principal amount of the loans we originate to increase and that we will need to raise additional equity and/or debt funds to increase our liquidity in the near future. Upon bankruptcy or liquidation, holders of our debt securities, lenders with respect to any of our borrowings and holders of our preferred stock, if any, will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us may dilute the holdings of our existing stockholders or reduce the valuation of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and holders of our common stock bear the risk of our future offerings reducing the valuation of our common stock and diluting their ownership interest.

We may in the future pay distributions from sources other than our cash flow from operations, including borrowings, offering proceeds or the sale of assets, which means we will have less funds available for investments or less income-producing assets and your overall return may be reduced.

We may in the future pay distributions from sources other than from our cash flow from operations. We intend to fund the payment of regular distributions to our stockholders entirely from cash flow from our operations. However, we may from time to time not generate sufficient cash flow from operations to fully fund distributions to stockholders. Therefore, if we choose to pay a distribution, we may choose to use cash flows from financing activities, including borrowings (including borrowings secured by our assets) and net proceeds of this or a prior offering, from the sale of assets or from other sources to fund distributions to our stockholders.

To the extent that we fund distributions from sources other than cash flows from operations, including borrowings, offering proceeds or proceeds from asset sales, the value of your investment will decline, and such distributions may constitute a return of capital and we may have fewer funds available for the funding of loans or less income-producing assets and your overall return may be reduced. Further, to the extent distributions exceed our earnings and profits, a stockholder's basis in our stock will be reduced and, to the extent distributions exceed a stockholder's basis, the stockholder will be required to recognize capital gain.

There is a risk that you may not receive distributions as holders of our common stock or that such dividends may not grow over time.

We intend to make regular quarterly distributions to our stockholders, consistent with our intention to qualify as a REIT for U.S. federal income tax purposes. However, any future determination to actually pay dividends will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under agreements for indebtedness, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board deems relevant. We therefore cannot assure you that we will achieve investment results and other circumstances that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions.

We are an "emerging growth company" and a "smaller reporting company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies will make shares of our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act, and we have elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, an extended transition period for complying with new or revised accounting standards and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds $1.235 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three year period, more than $1.0 billion in non-convertible debt or (iv) the date issued on which we are deemed to be a "large accelerated filer" under the Exchange Act.

Similarly, as a "smaller reporting company" under federal securities laws, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We may be a smaller reporting company even after we are no longer an emerging growth company.

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company and/or smaller reporting company, as applicable.

General Risk Factors

We rely on information technology in our operations, and security breaches and other disruptions in our systems could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our borrowers and business partners, including personally identifiable information of our borrowers and employees, if any, on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our borrowers for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation, damage to business relationships and regulatory fines and penalties. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Although we have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, such measures will not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident. In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our business, liability to investors, regulatory intervention or reputational damage.

We could be subject to litigation filed by or against us, including class action litigation.

In the past, securities class action litigation has often been brought against a company following a period of volatility or decline in the market price of its securities.

Legal or governmental proceedings brought by or on behalf of third parties may adversely affect our financial results. Our investment activities may include activities that are hostile in nature and will subject it to the risks of becoming involved in such proceedings. The expense of defending claims against us and paying any amounts pursuant to settlements or judgments would be borne by us and would reduce net assets. Our Manager will be indemnified by us in connection with such proceedings, subject to certain conditions. Similarly, we may from time to time institute legal proceedings on behalf of ourselves or others, the ultimate outcome of which could cause us to incur substantial damages and expenses, which could have a material adverse effect on our business.

If securities analysts do not publish research or reports about our business or if they publish negative reports or downgrade our stock, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us, our business, our markets and our competitors. We do not control these analysts. If securities analysts do not cover our common stock, the lack of research coverage may materially adversely affect the market price of our common stock. Furthermore, if one or more of the analysts who do cover us downgrade our stock or if those analysts issue other unfavorable commentary about us or our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fails to regularly publish reports on us, we could lose visibility in the market and interest in our stock could decrease, which in turn could cause our stock price or trading volume to decline and may also impair our ability to expand our business with existing customers and attract new customers.

Future sales of our capital stock or other securities convertible into our capital stock could cause the value of our common stock to decline and could result in dilution of your shares of our common stock.

Our Board is authorized, without stockholder approval, to cause us to issue additional shares of our common stock and to raise capital through the creation and issuance of preferred stock, debt securities convertible into common stock, options, warrants and other rights, on terms and for consideration as our Board in its sole discretion may determine.

Sales of substantial amounts of our capital stock or other securities convertible into our capital stock could cause the valuation of our capital stock to decrease significantly. We cannot predict the effect, if any, of future sales of our equity, or the availability of our equity for future sales, on the value of our equity. Sales of substantial amounts of our equity by any large stockholder, or the perception that such sales could occur, may adversely affect the valuation of our equity.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would materially adversely affect our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Pursuant to Section 404 of the Sarbanes-Oxley Act, our management is required to report upon the effectiveness of our internal control over financial reporting. When we lose our status as an emerging growth company our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could materially adversely affect the trading price of our common stock.

Failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and the value of our common stock.

We are obligated to maintain proper and effective internal control over financial reporting, including the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act (“Section 404”). We will not be required to comply with all of the requirements of Section 404 until we are no longer an emerging growth company under the JOBS Act. Prior to the IPO, we were not subject to the public company internal control framework requirements and therefore did not sufficiently design and document our control environment to be in compliance with all required public company standards contemplated by Section 404 that we will eventually be required to meet. Beginning with this annual report on Form 10-K for the year ended December 31, 2022, we are required to conduct annual management assessments of the effectiveness of our internal controls over financial reporting. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the date we are no longer an emerging growth company under the JOBS Act.

If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our operations, financial reporting or financial results could be adversely affected. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in the Company and the reliability of our consolidated financial statements. Confidence in the reliability of our consolidated financial statements could also suffer. This could materially adversely affect us.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement causing us to fail to make any related party transaction disclosures. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

If our assets are deemed to be plan assets, we may be exposed to liabilities under Title I of Employee Retirement Income Security Act of 1974, or ERISA, and the Code.

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets unless an exception applies. This is known as the "look-through rule." Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA or Section 4975 of the Code, may be applicable, and there may be liability under these and other provisions of ERISA and the Code. We believe that our assets should not be treated as plan assets because the shares of our common stock should qualify as "publicly-offered securities" that are exempt from the look-through rules under applicable Treasury Regulations. We note, however, that because certain limitations are imposed upon the transferability of shares of our common stock so that we may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if we are exposed to liability under ERISA or the Code, our performance and results of operations could be adversely affected.

Economic recessions or downturns could impair our borrowers and harm our operating results.

Because the operations of our borrowers are heavily dependent on retail sales, many of our borrowers may be susceptible to economic downturns or recessions and, during such periods, may be unable to satisfy their debt service obligations to us. Therefore, during these periods, our non-performing assets may increase and the value of our portfolio may decrease if we are required to write-down the values of our loans. Adverse economic conditions may also decrease the value of collateral securing some of our loans. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in our revenues, net income and asset values.

A borrower's failure to satisfy financial or operating covenants imposed by us or other creditors could lead to defaults and, potentially, acceleration of the time when its debt obligations are due and foreclosure on its assets representing collateral for its obligations, which could trigger cross-defaults under other agreements and jeopardize our borrower's ability to meet its obligations under the loans that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity.

As an externally managed company, our business is highly dependent on the communications and information systems of our Manager, its affiliates and third-party service providers. We, in conjunction with our Manager, have adopted processes designed to identify, assess and manage material risks from cybersecurity threats. These processes include responses to and assessments of internal and external threats to the security, confidentiality, integrity and availability of our and our Manager’s data and systems along with other material risks to operations. As part of its collective risk management process, our Manager engages a third party information technology consultant (“IT Consultant”) to evaluate risks associated with the Manager’s information and technology system(s), network and physical devices. Our Manager also uses the National Institute of Standards of Technology (NIST) Cybersecurity Framework to assess its cybersecurity controls.

Governance

Our board of directors has responsibility for the direction and oversight of our risk management. Our board of directors administers this oversight function directly, with support from its committees. In particular, the audit committee of our board of directors (the “audit committee”) has the responsibility to consider and discuss our major financial risk exposures and the steps our Manager takes, or is required to take, to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Our audit committee also monitors compliance with legal and regulatory requirements.

With respect to cybersecurity, the audit committee engages in discussions with management regarding the Company’s significant financial risk exposures and the measures implemented to monitor and control these risks, including those that may result from material cybersecurity threats. In addition, employees of our Manager and/or the IT Consultant will brief the audit committee on the Manager’s information security program and cybersecurity risks at least annually, and will brief the audit committee as needed in connection with any potentially material cybersecurity incidents affecting the Company. Annual briefings of the audit committee by employees of the Manager and/or the IT Consultant may include topics such as risk assessment, risk management and control decisions, service provider arrangements, test results, security incidents and responses, and recommendations for changes and updates to policies and procedures.

As of the date of this report, we are not aware of any material risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operation. Our principal executive offices are currently located at 1680 Michigan Avenue, Suite 700, Miami Beach, FL 33139. All locations are provided to us by the Manager pursuant to the Management Agreement. We believe that our office facilities are and will be suitable and adequate for our business.

Item 3. Legal Proceedings

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. From time to time, we may become involved in litigation or other legal proceedings relating to claims arising from the ordinary course of business. Furthermore, third-parties may try to seek to impose liability on us in connection with our loans. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed for trading on the Nasdaq Global Market under the symbol "REFI." On March 8, 2024, the closing price of our common stock, as reported on the Nasdaq Global Market, was $16.18 per share. There were 63 holders of record of our common stock as of March 8, 2024. This number does not include beneficial owners who hold shares of our common stock in street name.

There were no unregistered sales of equity securities during the year ended December 31, 2023.

Distribution Information

We intend to make regular quarterly distributions to our stockholders, consistent with our intention to maintain our qualification as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains and certain non-cash income, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income. As a result, in order to satisfy the requirements for us to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to our stockholders out of assets legally available therefor. REIT taxable income as computed for purposes of the foregoing tax rules will not necessarily correspond to our net income as determined for financial reporting purposes, or our Distributable Earnings as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures and Indicators — Distributable Earnings*." See "*U.S. Federal Income Tax Considerations — Taxation — Requirements for Qualification — Annual Distribution Requirements*" for a summary of our distribution requirements as a REIT.

Any future determination to actually pay dividends or other distributions will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under agreements for indebtedness we may incur, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements, the annual distribution requirements under the REIT provisions of the Code, our REIT taxable income and other factors that our Board deems relevant. Under the MGCL, we generally may only pay a dividend or other distribution if, after giving effect to the distribution, we would be able to pay our indebtedness as it becomes due in the usual course of business and our total assets exceed our total liabilities.

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 loans 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.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with the consolidated financial statements and related notes that are included elsewhere in this annual report on Form 10-K. This discussion contains forward-looking statements that reflect our current expectations and views of future events, which involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed above in "Risk Factors" and those identified below and elsewhere in this annual report on Form 10-K. See "Forward-Looking Statements."

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 may 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 December 31, 2023 and 2022, 27.1% and 13.6%, respectively, of the loan principal 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 December 31, 2023, our portfolio is comprised primarily of first mortgages to established multi-state or single-state cannabis operators or property owners. In addition, we own approximately $0.8 million, at fair value, of publicly-traded corporate bonds issued by a cannabis operator. We consider cannabis operators to be established if they are state-licensed and are deemed to be operational and in good standing by the applicable state regulator. We do not own any stock, warrants to purchase stock or other forms of equity in any of our portfolio companies that are involved in the cannabis industry, and we will not take stock, warrants or equity in such issuers until permitted by applicable laws and regulations, including U.S. federal laws and regulations.

We are an externally managed Maryland corporation that elected to be taxed as a REIT under Section 856 of the Code, commencing with our taxable year ended December 31, 2021. We believe that we have qualified 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 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 December 31, 2023 and 2022, approximately 80.5% and 83.1%, respectively, of our portfolio was comprised of floating rate loans, and 19.5% and 16.9% of our portfolio was comprised of fixed rate loans, respectively. The floating rate loans described above are variable based upon the Prime Rate plus an applicable margin, and in many cases, a Prime Rate floor.

The Prime Rate during the years ended December 31, 2023 and 2022 was as follows:

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

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

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

Expenses

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

- organizational and offering expenses;
- quarterly valuation expenses;
- fees payable to third parties relating to, or associated with, making loans and valuing loans (including third-party valuation firms);
- fees and expenses associated with investor relations and marketing efforts (including attendance at investment conferences and similar events);
- accounting and loan servicing fees from our third-party fund administrator;
- 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 have qualified 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 years ended December 31, 2023 and 2022, 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 December 31, 2023 and 2022. 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. During a period of rising interest rates, our borrowing costs generally will increase (a) while the yields earned on our leveraged fixed-rate loan assets will remain static, and (b) at a faster pace than the yields earned on our leveraged floating-rate loan assets, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an increase in short-term interest rates could also have a negative impact on the market value of our target investments. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

Interest Rate Cap Risk

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

These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would harm our financial condition, cash flows and results of operations. As of December 31, 2023, we had $286.4 million of floating rate loans of which 81.9%, based on principal outstanding, have interest rate floors, and one loan is subject to an interest rate cap (Note 3) as summarized below:

As of December, 31 2023					
Prime Rate Floor		**Outstanding Principal**	**Prime Rate Cap**		**Outstanding Principal**
8.50%	$	7,500,000	—		—
8.25%		15,396,370	—		—
8.00%		1,860,000	—		—
7.50%		8,710,222	—		—
7.00%		50,731,736	—		—
6.25%		44,910,000	—		—
5.85%		—	5.85%		38,810,119
5.50%		820,000	—		—
4.75%		10,606,311	—		—
4.00%		11,706,059	—		—
3.25%		82,266,454	—		—
0.00%		51,871,786	0.00%		247,568,819
	$	**286,378,938**		**$**	**286,378,938**

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 grow the size of our portfolio.

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 generally service our self-originated loans through our Manager's servicer;
- we invest in a mix of floating-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.

Recent Developments

Revolving Loan

On February 28, 2024, Chicago Atlantic Lincoln, LLC ("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.

Updates to Our Loan Portfolio during Fiscal Year 2023

For the year ended December 31, 2023, our cash loan fundings, net of original issue discounts and other upfront fees were approximately $92.2 million. We received approximately $90.3 million of total proceeds from sales and principal amortization of loans of $13.4 million and $76.9 million, respectively.

In total, our loans held for investment, at carrying value, increased by $14.3 million, from $339.3 million at December 31, 2022 to $353.6 million as of December 31, 2023. Total loan commitments and contingencies as of December 31, 2023 is approximately $371.3 million, of which $7.5 million is unfunded.

In January 2023, we refinanced the syndicated credit facility with the borrower of Loan #18, which resulted in a net paydown of $18.3 million in aggregate principal. There were no monetary terms that were amended in connection with the refinancing.

In January 2023, we purchased a senior secured loan from an affiliate under common control. The purchase price of approximately $19.0 million was approved by the Audit Committee of the Board. The fair value approximated the carrying value of the loan plus accrued and unpaid interest through January 24, 2023. We received an early repayment of this loan in full during March 2023.

In January 2023, we closed one credit facility with the borrower of prior Loan #22, which had an aggregate commitment of $11.3 million, which was fully funded at closing. We received an early repayment of this loan in full during November 2023. The loan had an original maturity date of January 2026 and the outstanding principal on the date of repayment was approximately $10.8 million. We received a prepayment fee of approximately $1.4 million upon repayment which is included in interest income.

In March 2023, we closed the credit facilities for Loan #23 and Loan #24, which have aggregate commitment of approximately $2.0 million and $1.0 million, respectively.

In March 2023, we completed the sale of a secured loan to an affiliate under common control. The selling price of approximately $13.7 million was approved by the Audit Committee of the Board and the fair value approximated the carrying value of the loan plus accrued and unpaid interest through March 31, 2023.

In May 2023, we entered into an amendment to Loan #4, which extended the make-whole period through maturity and re-priced the second tranche to the prime rate plus a spread of 11.75%. In connection with the amendment, we also agreed to waive compliance with certain covenants for one fiscal quarter, subject to certain terms and conditions.

In May 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 we will continue to cease further recognition of income until such events of default are cured or obligations are repaid. As of December 31, 2023, Loan #9 is held on the consolidated balance sheet as a loan held for investment – related party with a carrying value of approximately $16.4 million and a reserve for current expected credit losses of approximately $1.5 million.

In June 2023, we entered into an amendment to Loan #7, which resulted in a pay down of $5.0 million, along with applicable make-whole fees under the credit facility. Among other things, the amendment decreased the PIK rate from 2.5% to 2.0% and deferred scheduled amortization payments until September 30, 2023.

In June 2023, we entered into an amendment to Loan #18, to cure certain non-monetary covenant breaches which resulted in a re-pricing of the cash interest rate to the Prime Rate plus 1.75%.

In September 2023, we closed Loan #28 with a new borrower in Ohio. The credit facility has an aggregate commitment of approximately $2.5 million, all of which was funded at closing.

In October 2023, we closed Loan #29 with a new borrower in Illinois. The credit facility has an aggregate commitment of approximately $1.1 million, all of which was funded at closing.

In November 2023, we executed an amendment to Loan #12 in connection with the early repayments received during fiscal year 2023 of approximately $10.1 million. The amendment converted the interest rate to a floating pricing grid based on the aggregate principal balance outstanding. As of the amendment date, the pricing was set at the Prime rate plus 7.00%.

In December 2023, $2.6 million of corporate bonds were redeemed prior to contractual maturity by the issuer at 100% of the face value. The redemption resulted in a realized gain of approximately $0.1 million. This investment was classified as debt securities, at fair value as of September 30, 2023.

In December 2023, Loan #6 was placed on non-accrual status. As of December 31, 2023, Loan #6 is held on the consolidated balance sheet with a carrying value of approximately $4.3 million and a reserve for current expected credit losses of approximately $0.1 million.

In December 2023, we closed Loan #30 with a new borrower in Missouri. The credit facility has an aggregate commitment of $15.0 million, of which $7.5 million was funded at closing and $7.5 million remains unfunded as of December 31, 2023.

In December 2023, we entered into an amendment to Loan #8, which waived principal amortization payment for the period from October 31, 2023 to December 31, 2023. Among other things, the amendment increased the PIK rate from 2.0% to 13.0% and waived cash interest for the fourth quarter of 2023. Additionally, previously accrued cash interest of approximately $0.6 million was paid in kind and capitalized to the principal balance of the loan outstanding.

In December 2023, we entered into an amendment to Loan #4, which extended the maturity date to February 14, 2024. The amendment increased the PIK rate from 2.0% to Prime plus 11.75% and cash interest is 0% from December 1, 2023 to maturity.

Subsequent Updates to Our Loan Portfolio in 2024

During the period from January 1, 2024 through March 11, 2024, the Company advanced approximately $16.5 million of gross loan principal, of which $6.7 million and $9.8 million were funded to a new borrowers and existing borrowers, respectively.

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 March 20, 2024.

In February 2024, we entered into an amendment to Loan #4, to extend the maturity date to April 16, 2024 and modified the interest rate for the period from February 14, 2024 through maturity to 15.0% PIK.

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 #6, which extended the maturity date to April 15, 2024, and waived amortization payments until such date. Additionally, previously accrued interest of approximately $0.3 million was paid in kind and capitalized to the principal balance. From the amendment date through maturity all interest at the prevailing interest rate will be paid in kind. In connection with this amendment, Loan #6 was restored to accrual status.

Dividends Declared Per Share

For the period from January 1, 2023 through March 31, 2023, we declared an ordinary cash dividend of $0.47 per share of our common stock, relating to the first quarter of 2023, which was paid on April 14, 2023 to stockholders of record as of the close of business on March 31, 2023. The total amount of the cash dividend payment was approximately $8.5 million.

For the period from April 1, 2023 through June 30, 2023, we declared an ordinary cash dividend of $0.47 per share of our common stock, relating to the second quarter of 2023, which was paid on July 14, 2023 to stockholders of record as of the close of business on June 30, 2023. The total amount of the cash dividend payment was approximately $8.5 million.

For the period from July 1, 2023 through September 30, 2023, we declared an ordinary cash dividend of $0.47 per share of our common stock, relating to the third quarter of 2023, which was paid on October 13, 2023 to stockholders of record as of the close of business on September 29, 2023. The total amount of the cash dividend payment was approximately $8.5 million.

For the period from October 1, 2023 through December 31, 2023, we declared an ordinary cash dividend of $0.47 per share of our common stock, relating to the fourth quarter of 2023, which was paid on January 12, 2024 to stockholders of record as of the close of business on December 29, 2023. The total amount of the cash dividend payment was approximately $8.5 million. In addition, we declared a special cash dividend of $0.29 per share of our common stock, which was paid on January 12, 2024 to stockholders of record as of the close of business on December 29, 2023. The total amount of the special cash dividend payment was approximately $5.2 million.

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

Results of Operations

Comparison of the years ended December 31, 2023 and 2022

	For the year ended December 31,		Variance	
	2023	2022	Amount	%
Revenues				
Interest income	$ 62,900,004	$ 51,471,766	$ 11,428,238	22%
Interest expense	(5,752,908)	(2,614,138)	(3,138,770)	120%
Net interest income	57,147,096	48,857,628	8,289,468	17%
Expenses				
Management and incentive fees, net	8,782,834	6,562,087	2,220,747	34%
General and administrative expense	5,260,287	3,528,322	1,731,965	49%
Professional fees	2,153,999	2,151,714	2,285	0%
Stock based compensation	1,479,736	435,623	1,044,113	240%
Provision for current expected credit losses	940,385	3,887,405	(2,947,020)	-76%
Total expenses	18,617,241	16,565,151	2,052,090	12%
Change in unrealized gain on debt securities, at fair value	75,604	-	75,604	100%
Realized gain on debt securities, at fair value	104,789	-	104,789	100%
Net Income before income taxes	**38,710,248**	**32,292,477**	**6,417,771**	20%
Income tax expense	-	-	-	-
Net Income	**$ 38,710,248**	**$ 32,292,477**	**$ 6,417,771**	**20%**

- The increase in interest income was driven by the $12.7 million increase in principal outstanding, as well as the increase in the Prime rate of 100 basis points during the year. The Prime rate increase impacted approximately 80.5% of the Company’s loans, which bear a floating rate as of December 31, 2023. Additionally, we recognized approximately $3.5 million of interest income from prepayment fees and acceleration of original issue discounts and other upfront fees during the year ended December 31, 2023, as compared to $1.2 million for the year ended December 31, 2022.

- Interest expense increased as a result of the series of Prime Rate increases discussed above as well as timing of borrowings and amounts outstanding under the Revolving Loan. Additionally, the Company increased the availability under the Revolving Loan from $92.5 million as of December 31, 2022 to $100.0 million as of December 31, 2023, resulting in an increase to unused fee interest expense (25 basis points of amounts outstanding) over the comparative period.

- The increase in base management and incentive fees, net was primarily attributable to the year over year increases in Equity and Core Earnings of $7.9 million and $4.3 million, respectively, on which the fees are earned. These increases were partially offset by fewer Outside Fees applied during the year ended December 31, 2023 of approximately $0.2 million, compared to approximately $1.3 million for the year ended December 31, 2022.

- The increase in general and administrative expenses and professional fees was primarily due to an increase in overhead reimbursements for costs incurred by the Manager of $4.8 million for the year ended December 31, 2023 compared to $3.1 million for the same period in 2022.

- Stock based compensation increased as a result of the grant of 323,452 restricted stock awards to employees of our Manager during the year ended December 31, 2023, for which expense is recognized ratably over the vesting period.

- During 2023, the Company recognized approximately $0.2 million of realized and unrealized gains on corporate bonds, held at fair value, which were not held by the Company as of or during the year ended December 31, 2022.

- 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.

  - As of December 31, 2023 and 2022, greater than 80% of the portfolio bears a floating rate based on the Prime Rate. The Prime rate increased 100 basis points in 2023, as compared to 425 basis points in 2022, indicating a more stabilized credit market in 2023 compared to 2022. The significant upward movement in benchmark interest rates during 2022 contributed to a greater change in the probability of default when compared to 2023, and contributed to the decrease in the provision year over year.

  - Changes in portfolio risk composition resulting from principal paydowns and new fundings also contributed to the decrease, with reserves on new 2023 originations representing a smaller portion of the reserve than loans originated in prior years. As of December 31, 2023 approximately 68.9% of our loans carry a risk rating of "1" or 2", an increase when compared to 62.6% as of December 31, 2022.

  - Additionally, improvement in enterprise valuations of our borrowers, driven by valuation multiples of comparable companies remaining more stable or increasing during the year ended December 31, 2023 as compared to December 31, 2022.

- The current expected credit loss reserve represents approximately 140 basis points of our aggregate loan commitments held at carrying value of approximately $5.0 million. The liability is based on the unfunded portion of loan commitments over the full contractual period over which we are exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and if funded, the expected credit loss on the funded portion. We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan.

Loan Portfolio

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

As of December 31, 2023 and 2022, approximately 80.5% and 83.1%, 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% as of December 31, 2022, and increased to 8.50% as of December 31, 2023. The table below summarizes our portfolio as of December 31, 2023:

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	$ 29,910,000	$ (635,656)	$ 29,274,344	8.3 %	-	P+6.5% Cash (11)	I/O	17.3%
2	Michigan	1/13/2022	12/31/2024	35,891,667	38,810,119	(81,073)	38,729,046	11.0 %	-	P+6.65% Cash, 4.25% PIK (17)	P&I	18.0%
3[18]	Various	3/25/2021	11/29/2024	20,105,628	20,657,606	(175,697)	20,481,909	5.8 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.5%
4	Arizona	4/19/2021	2/14/2023	14,240,129	15,396,370	-	15,396,370	4.4 %	-	P+11.75% PIK (15)	I/O	25.9%
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,194,180	-	3,194,180	0.9 %	-	P+12.25% Cash (7)	P&I	22.8%
6[19]	Michigan	8/20/2021	2/20/2024	6,000,000	4,264,421	(535)	4,263,886	1.2 %	-	P+9% Cash (7)	P&I	20.8%
7	Illinois, Arizona	8/24/2021	6/30/2025	25,000,000	20,184,005	(128,551)	20,055,454	5.7 %	-	P+6% Cash, 2% PIK (12)	P&I	19.5%
8	West Virginia	9/1/2021	9/1/2024	9,500,000	11,706,059	(42,473)	11,663,586	3.3 %	-	P+9.25% Cash, 2% PIK (8)	P&I	25.1%
9[20]	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,402,488	-	16,402,488	4.6 %	-	P+10.75% Cash, 3% PIK (7)	P&I	16.2%
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,310,259	(267,990)	33,042,269	9.3 %	-	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	(52,406)	8,657,816	2.4 %	-	P+7% Cash (13)	P&I	19.5%
13	Michigan	11/22/2021	11/1/2024	13,600,000	13,392,094	(59,248)	13,332,846	3.8 %	-	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	1.5 %	-	P+12.25% Cash, 2.5% PIK (9)	P&I	22.8%
16	Florida	12/30/2021	12/31/2024	13,000,000	4,437,500	(19,058)	4,418,442	1.2 %	-	P+9.25% Cash (7)	I/O	36.3%
17	Florida	1/18/2022	1/31/2025	15,000,000	15,000,000	(136,667)	14,863,333	4.2 %	-	P+4.75% Cash (11)	P&I	14.8%
18	Ohio	2/3/2022	2/28/2025	11,662,050	17,155,637	(92,206)	17,063,431	4.8 %	-	P+1.75% Cash, 5% PIK (12)	P&I	20.4%
19	Florida	3/11/2022	8/29/2025	20,000,000	20,080,084	(48,217)	20,031,867	5.7 %	-	11% Cash, 3% PIK	P&I	15.5%
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,691,575	(78,532)	17,613,043	5.0 %	-	11% Cash, 2% PIK	P&I	14.7%
21	Illinois	7/1/2022	7/29/2026	9,000,000	5,353,186	(56,877)	5,296,309	1.5 %	-	P+8.5% Cash, 3% PIK (9)	P&I	25.6%
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,860,000	(37,319)	1,822,681	0.5 %	-	P+7.5% Cash (14)	P&I	19.4%
24	Oregon	3/31/2023	9/27/2026	1,000,000	820,000	-	820,000	0.2 %	-	P+10.5% Cash (10)	P&I	21.7%
25	New York	8/1/2023	6/29/2036	23,309,588	22,611,938	-	22,611,938	6.4 %	-	15% Cash	P&I	16.7%
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(118,004)	5,331,996	1.5 %	-	14% Cash	P&I	19.1%
27	Nebraska	8/15/2023	6/30/2027	13,061,667	13,061,667	-	13,061,667	3.7 %	-	P+8.75% Cash	P&I	19.0%
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,705	-	2,466,705	0.7 %	-	15% Cash	P&I	17.4%
29	Illinois	10/11/2023	10/9/2026	1,062,564	1,066,065	-	1,066,065	0.3 %	-	11.4% Cash, 1.5% PIK	P&I	15.9%
30	Missouri, Arizona	12/20/2023	12/31/2026	15,000,000	7,500,000	(74,186)	7,425,814	2.1 %	7,500,000	P+7.75% Cash (16)	I/O	18.4%
			Subtotal	$ 378,849,998	$ 355,745,305	$ (2,104,695)	$ 353,640,610	100 %	$ 7,500,000		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 December 31, 2023.

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

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

(6) Estimated YTM, calculated on a weighted average principal basis, includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the 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 December 1, 2023, this loan was placed on non-accrual status. In March 2024, we 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 (Note 14).

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

The following tables summarize our loans held for investment as of December 31, 2023 and 2022:

	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**	

	As of December 31, 2022			
	Outstanding Principal (1)	**Original Issue Discount**	**Carrying Value (1)**	**Weighted Average Remaining Life (Years) (2)**
Senior Term Loans	$ 343,029,334	$ (3,755,796)	$ 339,273,538	2.2
Current expected credit loss reserve	-	-	(3,940,939)	
Total loans held at carrying value, net	**$ 343,029,334**	**$ (3,755,796)**	**$ 335,332,599**	

(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 December 31, 2023 and 2022, respectively.

The following tables present changes in loans held for investment at carrying value as of and for the years ended December 31, 2023 and 2022:

	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	93,533,516	(1,332,340)	-	92,201,176
Principal repayment of loans	(76,876,048)	-	-	(76,876,048)
Accretion of original issue discount	-	2,983,441	-	2,983,441
Sale of loan (2)	(13,399,712)	-	-	(13,399,712)
PIK Interest	9,458,215	-	-	9,458,215
Current expected credit loss reserve	-	-	(1,031,708)	(1,031,708)
Balance at December 31, 2023	**$ 355,745,305**	**$ (2,104,695)**	**$ (4,972,647)**	**$ 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) One loan was reclassified as held for sale from loans held for investment as the decision was made to sell the loan during the year ended December 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.

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
Balance at January 1, 2022	**$ 200,632,056**	**$ (3,647,490)**	**$ (134,542)**	**$ 196,850,024**
New fundings	160,163,120	(3,243,735)	-	156,919,385
Principal repayment of loans	(17,728,730)	-	-	(17,728,730)
Accretion of original issue discount	-	2,874,706	-	2,874,706
Sale of loans	(6,957,500)	260,723	-	(6,696,777)
PIK Interest	6,920,388	-	-	6,920,388
Current expected credit loss reserve	-	-	(3,806,397)	(3,806,397)
Balance at December 31, 2022	**$ 343,029,334**	**$ (3,755,796)**	**$ (3,940,939)**	**$ 335,332,599**

(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.

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):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net Income	$ 38,710,248	$ 32,292,477
Adjustments to net income		
Stock based compensation	1,479,736	435,623
Amortization of debt issuance costs	550,906	563,464
Provision for current expected credit losses	940,385	3,887,405
Change in unrealized gain on debt securities, at fair value	(75,604)	-
Realized gain on debt securities, at fair value	(104,789)	-
Distributable Earnings	$ 41,500,882	$ 37,178,969
Adjustments to Distributable Earnings	-	-
Adjusted Distributable Earnings	$ 41,500,882	$ 37,178,969
Basic weighted average shares of common stock outstanding (in shares)	18,085,088	17,653,765
Adjusted Distributable Earnings per Weighted Average Share	$ 2.30	$ 2.11
Diluted weighted average shares of common stock outstanding (in shares)	18,343,725	17,746,214
Adjusted Distributable Earnings per Weighted Average Share	$ 2.26	$ 2.10

Book Value Per Share

The book value per share of our common stock as of December 31, 2023 and 2022 was approximately $14.94 and $14.86, 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 December 31, 2023 and 2022, all of our cash was unrestricted and totaled approximately $7.9 million and $5.7 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.

Revolving Credit Facility

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

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

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

On February 27, 2023, CAL entered into an amendment to the Third Amendment and Restatement (the "Amendment"). The Amendment extended the contractual maturity date of the Revolving Loan until December 16, 2024 and we retained the option to extend the initial term for an additional one-year period, provided no events of default exist and we provide 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. We 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 and Restatement. We incurred debt issuance costs of $109,291 related to the Fourth Amendment and Restatement, 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, we 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 December 31, 2023, we were in compliance with all financial covenants with respect to the Revolving Loan.

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

For the year ended December 31, 2023, we had net borrowings of $8.0 million against the Revolving Loan. As of December 31, 2023, we had $34.0 million available and $66.0 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 on Form S-3 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.

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.

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 we 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, we have 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 year ended December 31, 2023, we sold an aggregate of 79,862 shares of our common stock under the Sales Agreement at an average price of $15.78 per share, generating net proceeds of approximately $1.2 million.

Cash Flows

The following table sets forth changes in cash and cash equivalents for the years ended December 31, 2023 and 2022, respectively:

	For the year ended December 31,	
	2023	2022
Net income	$ 38,710,248	$ 32,292,477
Adjustments to reconcile net income to net cash used in operating activities and changes in operating assets and liabilities	(10,293,789)	(15,287,322)
Net cash provided by operating activities	28,416,459	17,005,155
Net cash used in investing activities	(1,925,416)	(125,244,044)
Net cash (used in)/provided by financing activities	(24,308,830)	33,706,190
Change in cash and cash equivalents	2,182,213	(74,532,699)

Net Cash Provided by Operating Activities

For the years ended December 31, 2023 and 2022, we reported “Net cash provided by operating activities” of approximately $28.4 million and $17.0 million, respectively. Net cash provided by operating activities increased approximately $11.4 million, primarily attributable to an increase in net income over the comparable period of approximately $6.4 million, a change in the interest reserve for applied interest payments of approximately $13.0 million, redemption of debt securities of $2.5 million and an increase in interest receivable of approximately $1.2 million. These changes were offset by the purchase of $3.2 million of debt securities at fair value, an increase in PIK interest of approximately $2.5 million, a decrease in management and incentive fees payable of approximately $2.5 million, a decrease in current expected credit losses of approximately $2.9 million, an increase in stock based compensation of approximately $1.0 million, a decrease in related party net payable of approximately $0.7 million, $0.1 million in unrealized gain relating to the purchase of debt securities at fair value, and $0.1 million in realized gain relating to the purchase of debt securities over the comparable period.

Net Cash Used in Investing Activities

For the years ended December 31, 2023 and 2022, we reported "Net cash provided used in investing activities" of $1.9 million and $125.2 million, respectively.

For the year ended December 31, 2023, cash outflows primarily related to $92.2 million used for the origination and funding of loans held for investment, partially offset by $13.4 million of cash received from the sale of loans and $76.9 million of cash received from the principal repayment of loans held for investment.

For the year ended December 31, 2022, cash outflows primarily related to $149.6 million used for the origination and funding of loans held for investment, partially offset by $6.7 million of cash received from the sales of loans and $17.7 million of cash received from the principal repayment of loans held for investment.

Net Cash (Used in)/Provided by Financing Activities

For the years ended December 31, 2023 and 2022, we reported "Net cash (used in)/provided by financing activities" of $(24.3) million and $33.7 million, respectively.

For the year ended December 31, 2023, cash inflows of approximately $7.2 million related to proceeds received from sales of our common stock through the registered direct offering and ATM offering of $6.0 million and $1.2 million, respectively. Additionally, we had cash inflows related to draw downs on our Revolving Loan of $82.0 million, which were offset by $74.0 million in repayments on our Revolving Loan, approximately $39.1 million in dividends paid, approximately $0.1 million in debt issuance costs paid, and approximately $0.3 million in offering costs paid associated with the registered direct offering and ATM offering.

For the year ended December 31, 2022, cash inflows of approximately $4.5 million related to proceeds received from the underwriters' partial exercise of their over-allotment option in connection with our initial public offering and $58.0 million related to draw downs on our Revolving Loan, partially offset by approximately $28.2 million in dividends paid, approximately $0.5 million in debt issuance costs paid, and approximately $0.1 million related to offering costs associated with our initial public 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 years ended December 31, 2023 and 2022.

	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2023	4/14/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	6/30/2023	7/14/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	9/29/2023	10/13/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	12/29/2023	1/12/2024	$ 0.47	$ 0.47	$ -	$ 0.47
Special cash dividend	12/29/2023	1/12/2024	$ 0.29	$ 0.29	$ -	$ 0.29
Total cash dividend			**$ 2.17**	**$ 2.17**	**$ -**	**$ 2.17**

	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2022	4/14/2022	$ 0.40	$ 0.40	$ -	$ 0.40
Regular cash dividend	6/30/2022	7/15/2022	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	9/30/2022	10/14/2022	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	12/30/2022	1/13/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Special cash dividend	12/30/2022	1/13/2023	$ 0.29	$ 0.29	$ -	$ 0.29
Total cash dividend			**$ 2.10**	**$ 2.10**	**$ -**	**$ 2.10**

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP which requires the use of estimates and assumptions that involve the exercise of judgment as to future uncertainties. The following discussion addresses the accounting estimates that we believe apply to us based on the nature of our operations. Our most critical accounting estimates involve a significant level of estimation uncertainty that have had or are reasonably likely to have a material impact on our financial conditions and results of operations. We believe that all of the decisions and assessments used to prepare our consolidated financial statements are based upon reasonable assumptions given the information available to us at that time. Our critical accounting estimates will be expanded over time as we fully implement our strategy. Those accounting estimates that we believe are most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below.

CECL Reserve

In accordance with Accounting Standards Codification ("ASC") Topic ASC 326, Financial Instruments - Credit Losses ("ASC 326") we record a current expected credit loss reserve ("CECL Reserve") for our loans held for investment. The CECL Reserve is 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.

We 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 December 31, 2023 and 2022 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 two loans placed on non-accrual status, the portfolio continued to perform as expected. For approximately 70% and 82% of the portfolio, the fair value of the underlying real estate collateral exceeded the amounts outstanding under the loans as of December 31, 2023 and 2022, respectively. The remaining approximately 30% and 18% of the portfolio, respectively, while not fully collateralized by real estate, may be partially collateralized by real estate and is 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 December 31, 2023 and 2022, the carrying value, excluding the CECL Reserve, of the Company’s loans within each risk rating by year of origination is as follows:

Risk	As of December 31, 2023(1)(2)						As of December 31, 2022(1)				
Rating	2023	2022	2021	2020	2019	Total	2022	2021	2020	2019	Total
1	$ 820,000	$ 37,644,911	$ -	$ -	$ -	$ 38,464,911	$ -	$ 274,406	$ -	$ -	$ 274,406
2	51,320,161	107,007,422	46,792,941	-	-	205,120,524	94,467,449	88,444,868	29,140,546	-	212,052,863
3	2,466,705	5,296,308	58,829,717	-	-	66,592,730	30,415,113	83,131,444	-	-	113,546,557
4	-	-	43,462,445	-	-	43,462,445	-	13,399,712	-	-	13,399,712
5	-	-	-	-	-	-	-	-	-	-	-
Total	$ 54,606,866	$ 149,948,641	$ 149,085,103	$ -	$ -	$ 353,640,610	$ 124,882,562	$ 185,250,430	$ 29,140,546	$ -	$ 339,273,538

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

(2) Loan #6 and Loan #9 placed on non-accrual status and are included in risk rating category "3" and “4”, respectively.

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. None of our borrowers are now, or have previously been in payment or otherwise material default under their respective loan agreements with us.

We expect to be subject to varying degrees of credit risk in connection with holding our portfolio of loans. We will have exposure to credit risk on our commercial real estate loans and other targeted types of loans. Our Manager will seek to manage credit risk by performing deep credit fundamental analysis of potential assets and through the use of non-recourse financing, when and where available and appropriate.

Credit risk will also be addressed through our Manager’s on-going review, and loans will be monitored for variance from expected prepayments, defaults, severities, losses and cash flow on a quarterly basis.

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 December 31, 2023 and 2022 was concentrated with the top three borrowers representing approximately 28.7% and 29.4% of the funded principal and approximately 26.4% and 27.9% of the total commitments to borrowers, respectively.

As of December 31, 2023 and 2022, the top three borrowers represented approximately 28.4% and 29.3% of interest income, respectively. The largest loan represented approximately 10.9% and 10.9% of the funded principal and approximately 9.7% and 10.2% of the total commitments as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and December 31, 2022, our borrowers have operations in the jurisdictions in the table below:

As of December 31, 2023			As of December 31, 2022		
Jurisdiction	**Outstanding Principal** [(1)]	**Our Loan Portfolio**	**Jurisdiction**	**Outstanding Principal** [(1)]	**Our Loan Portfolio**
Michigan	$ 56,466,635	16%	Michigan	$ 58,823,506	17%
Maryland	53,907,352	15%	Maryland	53,394,180	16%
Florida	48,815,066	14%	Florida	51,421,128	15%
Ohio	27,902,362	8%	Ohio	45,116,990	13%
Illinois	25,599,133	7%	Illinois	30,302,490	9%
Missouri	25,191,575	7%	Missouri	17,337,220	5%
Arizona	24,466,609	7%	Arizona	19,266,104	6%
New York	22,611,938	6%	New York	—	0%
Pennsylvania	21,674,160	6%	Pennsylvania	34,606,585	10%
Nebraska	13,061,667	4%	Nebraska	—	0%
Massachusetts	12,308,310	3%	Massachusetts	15,031,751	4%
West Virginia	11,706,059	3%	West Virginia	11,640,004	3%
Nevada	5,764,439	2%	Nevada	6,089,376	2%
Connecticut	5,450,000	2%	Connecticut	—	0%
Oregon	820,000	0%	Oregon	—	0%
Total	$ 355,745,305	100%	Total	$ 343,029,334	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.

Refer to footnote 3 to our consolidated financial statements for the year ended December 31, 2023 titled "*Loans Held for Investment, net*" for more information on CECL.

Income Taxes

We are a Maryland corporation that elected to be taxed as a REIT under the Code, commencing with our taxable period 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 satisfying numerous asset, income and distribution tests which depend, 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 and our net capital gain. 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 Required Distributions 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. 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 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 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 is included in the line item income tax expense.

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 well documented and supported as of December 31, 2023. 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 balance sheets.

Recent Accounting Pronouncements

Refer to footnote 2 to our consolidated financial statements for the year ended December 31, 2023, titled "*Significant Accounting Policies*" for information on recent accounting pronouncements.

Item 7A. 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 December 31, 2023, we had 21 floating-rate loans, representing approximately 80.5% of our loan portfolio based on aggregate outstanding principal balances. 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 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. During a period of rising interest rates, our borrowing costs generally will increase (a) while the yields earned on our leveraged fixed-rate loan assets will remain static, and (b) at a faster pace than the yields earned on our leveraged floating-rate loan assets, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an increase in short-term interest rates could also have a negative impact on the market value of our target investments. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

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 December 31, 2023, 69.7% of our portfolio is fully secured by real estate, 27.6% is partially secured by real estate, and 2.7% has no real estate collateral. Our portfolio on average had real estate collateral coverage of 1.5x as of December 31, 2023, and all of our loans are secured by equity pledges of the borrower and all asset liens. As of December 31, 2022, 89% of our portfolio was fully secured by real estate and 11% had limited or no real estate collateral. Our portfolio on average had real estate collateral coverage of 1.7x as of December 31, 2022, 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.*"

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.

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 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Chicago Atlantic Real Estate Finance, Inc.
Chicago, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Chicago Atlantic Real Estate Finance, Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2021.

Chicago, Illinois
March 12, 2024

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
Assets		
Loans held for investment	$ 337,238,122	$ 339,273,538
Loans held for investment - related party (Note 7)	16,402,488	-
Loans held for investment, at carrying value	353,640,610	339,273,538
Current expected credit loss reserve	(4,972,647)	(3,940,939)
Loans held for investment at carrying value, net	348,667,963	335,332,599
Cash and cash equivalents	7,898,040	5,715,827
Debt securities, at fair value	842,269	-
Interest receivable	1,004,140	1,204,412
Other receivables and assets, net	705,960	1,018,212
Related party receivables	107,225	-
Total Assets	**$ 359,225,597**	**$ 343,271,050**
Liabilities		
Revolving loan	$ 66,000,000	$ 58,000,000
Dividend payable	13,866,656	13,618,591
Management and incentive fees payable	3,243,775	3,295,600
Related party payables	2,051,531	1,397,515
Accounts payable and other liabilities	1,135,355	1,058,128
Interest reserve	1,074,889	1,868,193
Total Liabilities	**87,372,206**	**79,238,027**
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, par value $0.01 per share, 100,000,000 shares authorized and 18,197,192 and 17,685,952 shares issued and outstanding, respectively	181,972	176,859
Additional paid-in-capital	277,483,092	268,995,848
Accumulated deficit	(5,811,673)	(5,139,684)
Total stockholders' equity	**271,853,391**	**264,033,023**
Total liabilities and stockholders' equity	**$ 359,225,597**	**$ 343,271,050**

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

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenues		
Interest income	$ 62,900,004	$ 51,471,766
Interest expense	(5,752,908)	(2,614,138)
Net interest income	57,147,096	48,857,628
Expenses		
Management and incentive fees, net	8,782,834	6,562,087
General and administrative expense	5,260,287	3,528,322
Professional fees	2,153,999	2,151,714
Stock based compensation	1,479,736	435,623
Provision for current expected credit losses	940,385	3,887,405
Total expenses	18,617,241	16,565,151
Change in unrealized gain on debt securities, at fair value	75,604	-
Realized gain on debt securities, at fair value	104,789	-
Net Income before income taxes	**38,710,248**	**32,292,477**
Income tax expense	-	-
Net Income	**$ 38,710,248**	**$ 32,292,477**
Earnings per common share:		
Basic earnings per common share	$ 2.14	$ 1.83
Diluted earnings per common share	$ 2.11	$ 1.82
Weighted average number of common shares outstanding:		
Basic weighted average shares of common stock outstanding	18,085,088	17,653,765
Diluted weighted average shares of common stock outstanding	18,343,725	17,746,214

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

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional Paid-In-Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	**Amount**			
Balance at January 1, 2022	17,355,113	$ 173,551	$ 264,081,977	$ (177,560)	$ 264,077,968
Issuance of common stock, net of offering costs	302,800	3,028	4,478,528	-	4,481,556
Stock-based compensation	28,039	280	435,343	13,150	448,773
Dividends declared on common shares ($2.10 per share)	-	-	-	(37,267,751)	(37,267,751)
Net income	-	-	-	32,292,477	32,292,477
Balance at December 31, 2022	17,685,952	176,859	268,995,848	(5,139,684)	264,033,023
Issuance of common stock, net of offering costs	79,862	799	1,221,553	-	1,222,352
Issuance of common stock in connection with private placement, net of offering costs, underwriting discounts and commissions	395,779	3,958	5,790,889	-	5,794,847
Stock based compensation	35,599	356	1,474,802	4,578	1,479,736
Dividends declared on common shares ($2.17 per share)	-	-	-	(39,386,815)	(39,386,815)
Net income	-	-	-	38,710,248	38,710,248
Balance at December 31, 2023	18,197,192	$ 181,972	$ 277,483,092	$ (5,811,673)	$ 271,853,391

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

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

	For the year ended December 31, 2023	2022
Operating activities		
Net income	$ 38,710,248	$ 32,292,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of deferred loan origination fees and other discounts	(2,983,441)	(2,874,706)
Paid-in-kind interest	(9,458,215)	(6,920,388)
Provision for current expected credit losses	940,385	3,887,405
Change in unrealized gain/loss on debt securities, at fair value	(75,604)	-
Realized gain on debt securities	(104,789)	-
Amortization of debt issuance costs	550,906	563,464
Stock based compensation	1,479,736	435,623
Changes in operating assets and liabilities:		
Interest receivable	200,272	(1,006,677)
Other receivables and assets, net	(51,375)	(106,074)
Interest reserve	(793,304)	(13,818,194)
Related party payables	654,016	1,294,686
Related party receivables	(107,225)	-
Purchase of debt securities, at fair value	(3,167,020)	-
Proceeds from the redemption of debt securities, at fair value	2,505,144	-
Management and incentive fees payable	(51,825)	2,493,306
Accounts payable and accrued expenses	168,550	764,233
Net cash provided by operating activities	**28,416,459**	**17,005,155**
Cash flows from investing activities		
Issuance of and fundings of loans held for investment	(92,201,176)	(149,669,551)
Proceeds from sales of loans held for investment	13,399,712	6,696,777
Principal repayment of loans held for investment	76,876,048	17,728,730
Net cash used in investing activities	**(1,925,416)**	**(125,244,044)**
Cash flows from financing activities		
Proceeds from sale of common stock	7,222,363	4,505,664
Proceeds from borrowings on revolving loan	82,000,000	58,000,000
Repayment of borrowings on revolving loan	(74,000,000)	-
Dividends paid to common shareholders	(39,134,340)	(28,173,934)
Payment of debt issuance costs	(112,279)	(501,040)
Payment of offering costs	(284,574)	(124,500)
Net cash (used in)/provided by financing activities	**(24,308,830)**	**33,706,190**
Net increase (decrease) in cash and cash equivalents	**2,182,213**	**(74,532,699)**
Cash and cash equivalents, beginning of period	**5,715,827**	**80,248,526**
Cash and cash equivalents, end of period	**$ 7,898,040**	**$ 5,715,827**
Supplemental disclosure of non-cash financing and investing activities		
Interest reserve withheld from funding of loan	**$ 2,238,348**	**$ 9,049,834**
OID withheld from funding of loans held for investment	**1,332,340**	**3,243,735**
OID withheld from funding of debt securities, at fair value	**470,590**	**-**
Dividends declared and not yet paid	**13,866,656**	**13,592,997**
Transfer of loan held for investment to loan held for sale	**13,399,712**	**-**
Supplemental information:		
Interest paid during the period	$ 5,031,492	$ 1,660,993

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

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 real estate finance company that incorporated in the state of Maryland on March 30, 2021 and completed its initial public offering (the "IPO") in December 2021.

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. The Company also lends to and invests in companies or properties that are not related to the cannabis industry if they provide return characteristics consistent with its investment objective.

The Company is externally managed by Chicago Atlantic REIT Manager, LLC (the “Manager”), a Delaware limited liability company, pursuant to the terms of the management agreement dated May 1, 2021, as amended in October 2021, which has a three-year initial term set to expire on April 30, 2024 (the “Management Agreement”), by and among the Company and the Manager. 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. 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 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”).

The Company has elected to be taxed as a real estate investment trust (“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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”). 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 (“CAL”). All intercompany accounts and transactions have been eliminated in consolidation.

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.

Cash and Cash Equivalents

The Company’s cash and cash equivalents are held with financial institutions, and, at times, may 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. Cash and cash equivalents are included in the Company's consolidated balance sheets in the amount of $7.9 million and $5.7 million as of December 31, 2023 and 2022.

Concentration of Credit Risks

Financial instruments that may subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, loans held for investment and interest receivable. The Company and the Manager seek to manage this credit risk relating to cash by monitoring the financial stability of the borrowers and their ability to continue in business for the foreseeable future. Concentration of credit risk relating to loans and interest receivable are managed by the Company and the Manager through robust portfolio monitoring and performing due diligence prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate.

Offering Costs

Costs associated with the offering of common shares of the Company including, but not limited to legal, accounting, printing, filing fees, and other fees incurred directly related to the offering. Such costs are capitalized as incurred and are included in other assets in the consolidated balance sheets as of December 31, 2023 and 2022. Deferred offering costs will be charged to additional paid-in-capital upon the completion of an offering of the authorized common stock of the Company. Should an offering of the authorized common stock of the Company prove to be unsuccessful, these deferred costs, as well as additional expenses to be incurred, will be charged to operations. Deferred offering costs are included in Other receivables and assets, net within the consolidated balance sheets in the amount of $327,835 and $100,392 as of December 31, 2023 and 2022, respectively.

Loans Held for Investment

The Company originates commercial real estate ("CRE") loans and related debt instruments that it has both the intent and ability to hold for the foreseeable future, so they are classified as held for investment.

Loans that are held-for-investment are carried at their aggregate outstanding face amount, net of applicable (i) unamortized origination or acquisition premium and discounts, (ii) unamortized deferred fees and other direct loan origination costs, (iii) valuation allowance for credit losses and (iv) write-downs of uncollectible loans. The Company uses a method which approximates the effective interest method to amortize origination or acquisition premiums and discounts and deferred fees or other direct loan origination costs.

Once the Company decides to sell loans, they may be transferred to held-for-sale and carried at the lower of cost or fair value.

The Company's loans are primarily collateralized by real estate, equipment, licenses and/or other collateral assets of borrowers. The extent of any credit deterioration associated with the performance and/or value of the underlying collateral property and the financial and operating capability of the borrower could impact the expected amounts received. The Company monitors performance of its portfolio of loans held for investment under the following methodology: (1) borrower review, which evaluates each borrower's financial condition including consideration of interest and principal payment history, ability to execute its business plan, and assessment of any alleged actual, threatened, or pending litigation; (2) economic review, which contemplates the value of underlying collateral (i.e. leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service, as well as the residual loan balance at maturity); (3) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (4) market review, which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective. Changes in other observable market data may be utilized in determining the immediate recognition of expected credit losses over the life of financial instruments.

Investments in Marketable Debt Securities

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

	As of December 31, 2023				
	Face Amount	**Amortized Cost**	**Unamortized Discount**	**Fair Value**	**Unrealized Gain**
Corporate bonds	$ 996,769	$ 766,665	$ (230,104)	$ 842,269	$ 75,604

There were no marketable debt securities held as of December 31, 2022.

Loans Held-for-Sale

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

Current Expected Credit Losses

The Company measures current expected credit losses ("CECL") for loans held for investment based on Accounting Standards Codification ("ASC") No. 326, *Financial Instruments – Credit Losses* ("ASC 326"). The CECL methodology utilizes a lifetime "expected credit loss" methodology for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or based on historical experience and current conditions, as well as reasonable and supportable forecasts incorporating forward-looking information. The allowance for credit losses (the "CECL Reserve") required under ASC 326 is deducted from the respective loans' amortized cost basis on the Company's consolidated balance sheets. The CECL Reserve attributed to unfunded loan commitments is included in accounts payable and accrued expenses on the consolidated balance sheets. The expected credit losses are adjusted each period for changes in expected lifetime credit losses through a provision for current expected credit losses recognized on the consolidated statement of operations.

Refer to "Note 3 – Loans Held for Investment, Net" for further information regarding the CECL Reserve.

Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The Company discloses the fair value of its financial assets and liabilities based on observable market information where available or on market participant assumptions. These assumptions are subjective in nature and involve matters of judgment and, therefore, fair values cannot always be determined with precision. When determining fair value, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of the fair value hierarchy as set forth in Financial Accounting Standards Board ("FASB") ASC Topic 820 – *Fair Value Measurement and Disclosure* are as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

If inputs used to measure fair value fall into different levels of the fair value hierarchy, a loan's level is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument being measured.

GAAP requires disclosure of fair value information about financial assets and liabilities, whether or not recognized in the consolidated 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 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.

Stock-Based Compensation

The Company accounts for stock-based compensation issued to employees of the Manager and its affiliates and the members of the Board pursuant to the 2021 Omnibus Incentive Plan (the "2021 Plan") under the fair value method. This method measures compensation cost at the date of grant based on the value of the award and recognizes the cost over the service period, which is usually the vesting period. Forfeitures are recognized as they occur. The fair value of equity-based compensation awards is based on the estimated fair value of the Company's common stock, based on the Company's stock price on grant date, and approved by the Board. Fair values of award grants also recognize any ongoing restrictions on the sale of securities.

Debt Issuance Costs

Debt issuance costs relating to the Company's Revolving Loan are capitalized and amortized over the term of the Revolving Loan on a straight-line basis. Unamortized debt issuance costs are subsequently expensed if the associated debt is repaid prior to maturity. Amortization of debt issuance costs are reported as interest expense in the consolidated statements of operations.

Revenue Recognition

Interest income from loans is accrued based on the outstanding principal amount and the contractual terms of each loan. Loan origination fees and costs, and other discounts or premiums (collectively, “OID”) are recorded as an adjustment to the amortized cost basis of the loan and are accreted or amortized to interest income over the initial loan term as a yield adjustment using a method which approximates the effective interest method.

Certain of the Company’s loans contain a paid-in-kind interest income provision (“PIK interest”). The PIK interest, computed at the contractual rate specified in the applicable loan agreement, is added to the principal balance of the loan, rather than being paid in cash, and is generally collected upon repayment of the outstanding principal. Recognition of PIK interest includes assessments of collectability and may discontinue accrual of interest income, including PIK interest, when there is reasonable doubt that the interest income will be collected. To the extent required to maintain the Company’s status as a REIT, and/or to avoid incurring an excise tax, accrued income such as this may need to be distributed to stockholders in the form of dividends for the year earned, even though the Company has not yet collected the cash.

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 or success fees, are recognized as interest income when received.

Loans are generally placed on non-accrual status when principal or interest payments are past due 90 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed against interest income in the period the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management’s judgment regarding the borrower’s ability to make pending principal and interest payments. Non-accrual loans are restored to accrual status when principal and interest payments are brought current, the borrower demonstrates sustained repayment performance, or the loan becomes well secured and is in the process of collection. The Company may make exceptions to placing a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

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. Realized gains or losses on debt securities are measured by the difference between the net proceeds from the disposition and the amortized and/or accreted cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include loans charged off during the period, net of recoveries.

Related party receivables

Related party receivables represent interest and principal payments received from borrowers by the Company’s affiliated loan administrative agent prior to the balance sheet date that were not remitted to the Company until subsequent to the balance sheet date. The related party receivables as of December 31, 2023 were collected in January 2024.

Interest Reserves

The Company utilizes interest reserves on certain loans which are applied to future interest payments. Such reserves are established at the time of loan origination. The interest reserve is recorded as a liability as it represents unearned interest revenue. The interest reserve is relieved when the interest on the loan is earned, and interest income is recorded in the period when the interest is earned in accordance with the credit agreement. The interest payment is deducted from the interest reserve deposit balance on the date when the interest payment is due.

The decision to establish an interest reserve is made during the underwriting process and considers the creditworthiness and expertise of the borrower, the feasibility of the project, and the debt coverage provided by the real estate and other pledged collateral.

It is the Company’s policy to recognize income for this interest component as long as the borrower is progressing as originally projected and if there has been no deterioration in the financial condition of the borrower or the underlying project. The Company’s standard accounting policies for interest income recognition are applied to all loans, including those with interest reserves.

Expenses

Interest expense, in accordance with the Company's financing agreements, is recorded on an accrual basis. General and administrative expenses, including professional fees, are expensed as incurred.

Income Taxes

The Company is a Maryland corporation and has elected to be taxed as a REIT under the Code, commencing with its taxable year ended December 31, 2021. The Company believes that it has qualified as a REIT and that its method of operation 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 as of December 31, 2023 and 2022. Based on the Company's evaluation, there is no reserve for any uncertain income tax positions. Accrued interest and penalties, if any, are included within other liabilities in the balance sheets.

Earnings per Share

The Company calculates basic earnings / (loss) per share by dividing net income / (loss) allocable to common stockholders for the period by the weighted average shares of common stock outstanding for that period. Diluted earnings / (loss) per share takes into effect any dilutive instruments using the treasury stock method, except when doing so would be anti-dilutive. As of December 31, 2023 and 2022, there were dilutive instruments relating to restricted shares. See Note 10 included in these consolidated financial statements for the earnings per share calculations.

Recent Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, this ASU require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. The adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

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 will not 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 December 31, 2023 and 2022, the Company's portfolio was comprised of loans to 27 and 22 portfolio companies, respectively. The Company's aggregate loan commitments and outstanding principal were approximately $378.8 million and $355.7 million, respectively, as of December 31, 2023 and $351.4 million and $343.0 million as of December 31, 2022.

As of December 31, 2023 and 2022, approximately 80.5% and 83.1%, 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 discussed in the tables below. The carrying value of these loans was approximately $284.5 million and $281.6 million as of December 31, 2023 and 2022, respectively.

The remaining 19.5% and 16.9% of the portfolio was comprised of fixed rate loans that had a carrying value of approximately $69.1 million and $57.7 million as of December 31, 2023 and 2022, respectively.

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

	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**	

	As of December 31, 2022			
	Outstanding Principal (1)	**Original Issue Discount**	**Carrying Value (1)**	**Weighted Average Remaining Life (Years) (2)**
Senior Term Loans	$ 343,029,334	$ (3,755,796)	$ 339,273,538	2.2
Current expected credit loss reserve	-	-	(3,940,939)	
Total loans held at carrying value, net	**$ 343,029,334**	**$ (3,755,796)**	**$ 335,332,599**	

(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 December 31, 2023 and 2022, respectively.

The following tables present changes in loans held at carrying value as of and for the years ended December 31, 2023 and 2022:

	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	93,533,516	(1,332,340)	-	92,201,176
Principal repayment of loans	(76,876,048)	-	-	(76,876,048)
Accretion of original issue discount	-	2,983,441	-	2,983,441
Sale of loan (2)	(13,399,712)	-	-	(13,399,712)
PIK Interest	9,458,215	-	-	9,458,215
Current expected credit loss reserve	-	-	(1,031,708)	(1,031,708)
Balance at December 31, 2023	**$ 355,745,305**	**$ (2,104,695)**	**$ (4,972,647)**	**$ 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 paid-in-kind interest ("PIK"), 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 year ended December 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).

	Principal	Original Issue Discount	Current Expected Credit Loss Reserve	Carrying Value (1)
Balance at January 1, 2022	**$ 200,632,056**	**$ (3,647,490)**	**$ (134,542)**	**$ 196,850,024**
New fundings	160,163,120	(3,243,735)	-	156,919,385
Principal repayment of loans	(17,728,730)	-	-	(17,728,730)
Accretion of original issue discount	-	2,874,706	-	2,874,706
Sale of loans	(6,957,500)	260,723	-	(6,696,777)
PIK Interest	6,920,388	-	-	6,920,388
Current expected credit loss reserve	-	-	(3,806,397)	(3,806,397)
Balance at December 31, 2022	**$ 343,029,334**	**$ (3,755,796)**	**$ (3,940,939)**	**$ 335,332,599**

(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.

A more detailed listing of the Company's loans held at carrying value based on information available as of December 31, 2023, 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	$ 29,910,000	$ (635,656)	$ 29,274,344	8.3 %	-	P+6.5% Cash (11)	I/O	17.3%
2	Michigan	1/13/2022	12/31/2024	35,891,667	38,810,119	(81,073)	38,729,046	11.0 %	-	P+6.65% Cash, 4.25% PIK (17)	P&I	18.0%
3[18]	Various	3/25/2021	11/29/2024	20,105,628	20,657,606	(175,697)	20,481,909	5.8 %	-	P+10.38% Cash, 2.75% PIK (7)	P&I	23.5%
4	Arizona	4/19/2021	2/14/2023	14,240,129	15,396,370	-	15,396,370	4.4 %	-	P+11.75% PIK (15)	I/O	25.9%
5	Massachusetts	4/19/2021	4/30/2025	3,500,000	3,194,180	-	3,194,180	0.9 %	-	P+12.25% Cash (7)	P&I	22.8%
6[19]	Michigan	8/20/2021	2/20/2024	6,000,000	4,264,421	(535)	4,263,886	1.2 %	-	P+9% Cash (7)	P&I	20.8%
7	Illinois, Arizona	8/24/2021	6/30/2025	25,000,000	20,184,005	(128,551)	20,055,454	5.7 %	-	P+6% Cash, 2% PIK (12)	P&I	19.5%
8	West Virginia	9/1/2021	9/1/2024	9,500,000	11,706,059	(42,473)	11,663,586	3.3 %	-	P+9.25% Cash, 2% PIK (8)	P&I	25.1%
9[20]	Pennsylvania	9/3/2021	6/30/2024	15,000,000	16,402,488	-	16,402,488	4.6 %	-	P+10.75% Cash, 3% PIK (7)	P&I	16.2%
11	Maryland	9/30/2021	9/30/2024	32,000,000	33,310,259	(267,990)	33,042,269	9.3 %	-	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	(52,406)	8,657,816	2.4 %	-	P+7% Cash (13)	P&I	19.5%
13	Michigan	11/22/2021	11/1/2024	13,600,000	13,392,094	(59,248)	13,332,846	3.8 %	-	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	1.5 %	-	P+12.25% Cash, 2.5% PIK (9)	P&I	22.8%
16	Florida	12/30/2021	12/31/2024	13,000,000	4,437,500	(19,058)	4,418,442	1.2 %	-	P+9.25% Cash (7)	I/O	36.3%
17	Florida	1/18/2022	1/31/2025	15,000,000	15,000,000	(136,667)	14,863,333	4.2 %	-	P+4.75% Cash (11)	P&I	14.8%
18	Ohio	2/3/2022	2/28/2025	11,662,050	17,155,637	(92,206)	17,063,431	4.8 %	-	P+1.75% Cash, 5% PIK (12)	P&I	20.4%
19	Florida	3/11/2022	8/29/2025	20,000,000	20,080,084	(48,217)	20,031,867	5.7 %	-	11% Cash, 3% PIK	P&I	15.5%
20	Missouri	5/9/2022	5/30/2025	17,000,000	17,691,575	(78,532)	17,613,043	5.0 %	-	11% Cash, 2% PIK	P&I	14.7%
21	Illinois	7/1/2022	7/29/2026	9,000,000	5,353,186	(56,877)	5,296,309	1.5 %	-	P+8.5% Cash, 3% PIK (9)	P&I	25.6%
23	Arizona	3/27/2023	3/31/2026	2,000,000	1,860,000	(37,319)	1,822,681	0.5 %	-	P+7.5% Cash (14)	P&I	19.4%
24	Oregon	3/31/2023	9/27/2026	1,000,000	820,000	-	820,000	0.2 %	-	P+10.5% Cash (10)	P&I	21.7%
25	New York	8/1/2023	6/29/2036	23,309,588	22,611,938	-	22,611,938	6.4 %	-	15% Cash	P&I	16.7%
26	Connecticut	8/31/2023	2/27/2026	5,450,000	5,450,000	(118,004)	5,331,996	1.5 %	-	14% Cash	P&I	19.1%
27	Nebraska	8/15/2023	6/30/2027	13,061,667	13,061,667	-	13,061,667	3.7 %	-	P+8.75% Cash	P&I	19.0%
28	Ohio	9/13/2023	3/13/2025	2,466,705	2,466,705	-	2,466,705	0.7 %	-	15% Cash	P&I	17.4%
29	Illinois	10/11/2023	10/9/2026	1,062,564	1,066,065	-	1,066,065	0.3 %	-	11.4% Cash, 1.5% PIK	P&I	15.9%
30	Missouri, Arizona	12/20/2023	12/31/2026	15,000,000	7,500,000	(74,186)	7,425,814	2.1 %	7,500,000	P+7.75% Cash (16)	I/O	18.4%
			Subtotal	$ 378,849,998	$ 355,745,305	$ (2,104,695)	$ 353,640,610	100 %	$ 7,500,000		**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 December 31, 2023.

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

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

(6) Estimated YTM, calculated on a weighted average principal basis, includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the 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 December 1, 2023, this loan was placed on non-accrual status. In March 2024, we 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 (Note 14).

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

The following tables present aging analyses of past due loans by amortized cost, excluding the CECL reserve, as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, there was one and zero loans with principal greater than 90 days past due, respectively.

	As of December 31, 2023						
	Current Loans	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due(1)	Total Past Due	Total Loans	Non-Accrual(1)(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) 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. Loan #9 carries a reserve for current expected credit losses of approximately $1.5 million as of December 31, 2023 (Note 7).

(2) On December 1, 2023, Loan #6 was placed on non-accrual status. In March 2024, we 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 (Note 14).

	As of December 31, 2022						
	Current Loans	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total Past Due	Total Loans	Non-Accrual
Senior Term Loans	$ 339,273,538	$ -	$ -	$ -	$ -	$ 339,273,538	$ -
Total	$ 339,273,538	$ -	$ -	$ -	$ -	$ 339,273,538	$ -

Non-Accrual Loans

As of December 31, 2023 and 2022, there were two and zero 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 $16.4 million and $15.9 million as of December 31, 2023 and 2022, respectively. 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.

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 and $4.4 million as of December 31, 2023 and 2022, respectively. In March 2024, we 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 (Note 14).

During the year period ended December 31, 2023, the Company recognized $2.0 million of interest income on the non-accrual loans and carries a reserve for current expected credit losses of approximately $1.6 million on these non-accrual loans as of December 31, 2023.

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 December 31, 2023 and 2022 consider borrower specific credit history and performance and reflect a quarterly re-evaluation of overall current macroeconomic conditions affecting the Company's borrowers. As interest rates have increased due to rising rates from the Federal Reserve Board, it has impacted borrowers' ability to service their debt obligations on a global scale. This decline in risk ratings had an effect on the level of the current expected credit loss reserve though, other than the two loans placed on non-accrual status, the loans continued to perform as expected. For approximately 70% of the portfolio, the fair value of the underlying real estate collateral exceeded the amounts outstanding under the loans as of December 31, 2023. The remaining approximately 30% 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 December 31, 2023 and 2022, 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 December 31, 2023(1)(2)						As of December 31, 2022(1)				
Rating	2023	2022	2021	2020	2019	Total	2022	2021	2020	2019	Total
1	$ 820,000	$ 37,644,911	$ -	$ -	$ -	$ 38,464,911	$ -	$ 274,406	$ -	$ -	$ 274,406
2	51,320,161	107,007,422	46,792,941	-	-	205,120,524	94,467,449	88,444,868	29,140,546	-	212,052,863
3	2,466,705	5,296,308	58,829,717	-	-	66,592,730	30,415,113	83,131,444	-	-	113,546,557
4	-	-	43,462,445	-	-	43,462,445	-	13,399,712	-	-	13,399,712
5	-	-	-	-	-	-	-	-	-	-	-
Total	$ 54,606,866	$ 149,948,641	$ 149,085,103	$ -	$ -	$ 353,640,610	$ 124,882,562	$ 185,250,430	$ 29,140,546	$ -	$ 339,273,538

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

(2) Loans #6 and #9 placed on non-accrual status and are included in risk rating category "3" and "4", respectively, and carries a reserve for current expected credit losses of approximately $1.6 million as of December 31, 2023.

Real estate collateral coverage, excluding the CECL Reserve, was as follows as of December 31, 2023 and 2022:

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

As of December 31, 2022 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	$ -	$ -	$ 20,406,737	$ 17,203,138	$ -	$ 20,089,663	**$ 57,699,538**
Floating-rate	63,963,105	78,211,454	13,399,712	9,980,730	12,849,490	103,169,509	**281,574,000**
	$ 63,963,105	$ 78,211,454	$ 33,806,449	$ 27,183,868	$ 12,849,490	$ 123,259,172	**$ 339,273,538**

(1) Real estate collateral coverage is calculated based upon most recent third-party appraised values. The Company generally obtains new appraisals 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 December 31, 2023 and December 31, 2022, our borrowers have operations in the jurisdictions in the table below:

As of December 31, 2023			As of December 31, 2022		
Jurisdiction	Outstanding Principal (1)	Our Loan Portfolio	Jurisdiction	Outstanding Principal (1)	Our Loan Portfolio
Michigan	$ 56,466,635	16%	Michigan	$ 58,823,506	17%
Maryland	53,907,352	15%	Maryland	53,394,180	16%
Florida	48,815,066	14%	Florida	51,421,128	15%
Ohio	27,902,362	8%	Ohio	45,116,990	13%
Illinois	25,599,133	7%	Illinois	30,302,490	9%
Missouri	25,191,575	7%	Missouri	17,337,220	5%
Arizona	24,466,609	7%	Arizona	19,266,104	6%
New York	22,611,938	6%	New York	—	0%
Pennsylvania	21,674,160	6%	Pennsylvania	34,606,585	10%
Nebraska	13,061,667	4%	Nebraska	—	0%
Massachusetts	12,308,310	3%	Massachusetts	15,031,751	4%
West Virginia	11,706,059	3%	West Virginia	11,640,004	3%
Nevada	5,764,439	2%	Nevada	6,089,376	2%
Connecticut	5,450,000	2%	Connecticut	—	0%
Oregon	820,000	0%	Oregon	—	0%
Total	$ 355,745,305	100%	Total	$ 343,029,334	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's methodologies for determining the CECL Reserve are applied on a collective (pool) basis evaluating such pools of loans on the basis of similar risk characteristics as explained below. We make the judgment that loans to cannabis-related borrowers that are fully or partially 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 separately. Loans within each pool are analyzed individually, based on the economic terms of the loan including time to maturity, the nature and sufficiency of collateral coverage, geography, and other factors. Contractual loan maturities may 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 three fiscal periods 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 Bloomberg and S&P Capital IQ as of December 31, 2023, to which the Manager may apply a private company discount based on the Company's 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 the Company's future estimates of expected credit losses for its loan portfolio.

During the second half of the year ended December 31, 2023, the Company observed that valuation multiples of publicly traded companies in the industry improved as a result of macro-economic factors. Such factors include, but are not limited to, expectations surrounding interest rate decisions from 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. Additionally, the Company placed two loans on non-accrual status through fiscal year 2023, which contributed to the increase in the Company's CECL reserve as of December 31, 2023 compared to December 31, 2022. 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 immediately 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 years ended December 31, 2023 and 2022 is presented in the table below.

	Outstanding	Unfunded	Total
Balance at December 31, 2022	**$ 3,940,939**	**$ 94,415**	**$ 4,035,354**
Provision (recovery) for current expected credit losses	1,031,708	(91,323)	940,385
Balance at December 31, 2023	**$ 4,972,647**	**$ 3,092**	**$ 4,975,739**

	Outstanding	Unfunded	Total
Balance at January 1, 2022	**$ 134,542**	**$ 13,407**	**$ 147,949**
Provision for current expected credit losses	3,806,397	81,008	3,887,405
Balance at December 31, 2022	**$ 3,940,939**	**$ 94,415**	**$ 4,035,354**

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 December 31, 2023 and 2022:

	As of December 31, 2023	As of December 31, 2022
Interest receivable	$ 973,140	$ 1,203,330
Unused fees receivable	31,000	1,082
Total interest receivable	**$ 1,004,140**	**$ 1,204,412**

The following table presents aging analyses of past due loans (including non-accrual loans) by class as of December 31, 2023 and 2022, respectively:

	As of December 31, 2023						
	Current Loans	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due (and accruing)	Total Past Due	Total Loans	Non-Accrual(1)(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**

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

(1) On May 1, 2023, Loan #9 was placed on non-accrual status with an outstanding principal amount of approximately $16.4 million. For the period from May 1, 2023, through December 31, 2023, the Company ceased the accrual and recognition of all interest. As of December 31, 2023, Loan #9 has principal greater than 90 days past due, however there is $0 of accrued interest receivable relating to Loan #9.
(2) On December 1, 2023, Loan #6 was placed on non-accrual status with an outstanding principal amount of approximately $4.3 million. As of December 31, 2023 there is approximately $0.2 million of accrued interest receivable relating to Loan #6. In March 2024, Loan #6 was amended brought to current status, and is no longer on non-accrual.

As of December 31, 2023 and 2022, respectively, there were one and zero loans with contractual principal payments greater than 30 days past due.

5. INTEREST RESERVE

As of December 31, 2023 and 2022, the Company had three loans that included a prepaid interest reserve.

The following table presents changes in interest reserves for the years ended December 31, 2023 and 2022, respectively:

	December 31, 2023	December 31, 2022
Beginning reserves	$ 1,868,193	$ 6,636,553
New reserves	2,238,348	9,049,834
Reserves disbursed	(3,031,652)	(13,818,194)
Ending reserve	**$ 1,074,889**	**$ 1,868,193**

6. DEBT

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

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

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

On February 27, 2023, CAL entered into an amendment to the Third Amendment and Restatement (the "Amendment"). The Amendment extended the contractual maturity date of the Revolving Loan until December 16, 2024 and the Company retained its option to extend the initial term for an additional one-year period, provided no events of default exist and the Company provides 365 days' notice of the extension pursuant to the Amendment. No other material terms of the Revolving Loan were modified as a result of the execution of the Amendment. The Company incurred debt issuance costs of $2,988 related to the Amendment, which were capitalized and are subsequently being 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 and Restatement. The Company incurred debt issuance costs of $109,291 related to the Fourth Amendment and Restatement, which were capitalized and are subsequently being 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 December 31, 2023, the Company is in compliance with all financial covenants with respect to the Revolving Loan.

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

As of December 31, 2023, the Company had $34.0 million available under the Revolving Loan. Additionally, as of December 31, 2023, $165.7 million of principal of loans held for investment are pledged as collateral in the borrowing base of the Revolving Loan.

The following table reflects a summary of interest expense incurred during the years ended December 31, 2023 and 2022.

	Year ended December 31,	
	2023	2022
Interest expense	$ 5,113,524	$ 2,024,299
Unused fee expense	88,478	26,375
Amortization of debt issuance costs	550,906	563,464
Total interest expense	**$ 5,752,908**	**$ 2,614,138**

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 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 years ended December 31, 2023 and 2022, the Base Management Fee payable was reduced by Outside Fees in the amount of $153,750 and $1,291,451, 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 years ended December 31, 2023 and 2022 was $4.7 million and $3.8 million, 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 years ended December 31, 2023 and 2022.

	For the year Ended December 31	
	2023	**2022**
Affiliate Payments		
Management fees earned	$ 4,200,148	$ 4,074,725
Less: Outside Fees earned	(153,750)	(1,291,451)
Base management fees, net	4,046,398	2,783,274
Incentive fees	4,736,436	3,778,813
Total management and incentive fees earned	8,782,834	6,562,087
General and administrative expenses reimbursable to Manager	4,799,210	3,137,861
Total	$ 13,582,044	$ 9,699,948

General administrative expenses reimbursable to the Manager are included in the related party payable line item of the consolidated balance sheets as of December 31, 2023 and 2022. Total amounts payable to the Manager as of December 31, 2023 and 2022 were approximately $5.3 million and $5.0 million, respectively, which included bonuses accrued of $1.2 million and $0.8 million which are not reimbursed to the Manager until paid.

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 and for the years ended December 31, 2023 and 2022, 20 and 15 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. During the year ended December 31, 2023, the Company sold Assigned Rights amounting to $237,885 which was accounted for as original issue discount and accreted over the life of the related loan. There were no sales of Assigned Rights for the year ended December 31, 2022.

Loan transactions with related parties

On July 8, 2022, the Company sold a senior secured loan to an affiliate under common control. The selling price of approximately $6.7 million was approved by the Audit Committee of the Board. The fair value approximated the carrying value of the loan plus accrued and unpaid interest. On August 4, 2022, the Company assigned $10.0 million of unfunded commitment of a senior secured loan to an affiliate.

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 December 31, 2023, Loan #9 is held on the consolidated balance sheet as a loan held for investment - related party with a carrying value of approximately $16.4 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 December 31, 2023 and 2022, the Company had the following unfunded commitments on existing loans.

	As of December 31, 2023	As of December 31, 2022
Total original loan commitments	$ 378,849,998	$ 351,367,706
Less: drawn commitments	$ (371,349,998)	$ (336,323,706)
Total undrawn commitments	**$ 7,500,000**	**$ 15,044,000**

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 December 31, 2023:

	Total	2024	2025	2026	2027	2028	Thereafter
Undrawn commitments	$ 7,500,000	$ -	$ -	$ 7,500,000	$ -	$ -	$ -
Revolving loan (1)	66,000,000	66,000,000	-	-	-	-	-
Total	**$ 73,500,000**	**$ 66,000,000**	**$ -**	**$ 7,500,000**	**$ -**	**$ -**	**$ -**

(1) Subsequent to December 31, 2023, the Company extended the contractual maturity date of the Revolving Loan to June 30, 2026 (Note 14).

Other Contingencies

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

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

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

9. STOCKHOLDERS' EQUITY

Common Stock

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

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

Equity Incentive Plan

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

As of December 31, 2023 and 2022, 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.

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

For the year ended December 31, 2023, restricted stock award grants of 323,452 were granted to employees of our Manager. Pursuant to the respective award agreements, the RSA's vest annually in equal installments over a three-year period beginning on the first anniversary of the date of the grant. Upon vesting, the vested restricted stock awards are exchanged for an equal number of shares of the Company's common stock.

There were 2,190 shares and 14,297 shares forfeited during the years ended December 31, 2023 and 2022, 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 December 31, 2023, the aggregate intrinsic value of our restricted stock awards was as follows:

	As of December 31, 2023		As of December 31, 2022	
	Outstanding	Vested	Outstanding	Vested
Aggregate intrinsic value	$ 5,525,370	$ 937,068	$ 797,881	$ 422,548

The following table summarizes the restricted stock activity for the Company's directors and officers and employees of the Manager during the years ended December 31, 2023 and 2022.

	Year ended December 31, 2023	Weighted Average Grant Date Fair Value per Share
Balance at December 31, 2022	80,984	$ 15.71
Granted	323,452	$ 14.75
Vested	(35,599)	$ 15.78
Forfeited	(2,190)	$ 16.00
Unvested Balance at December 31, 2023	366,647	$ 14.86

	Year ended December 31, 2022	Weighted Average Grant Date Fair Value per Share
Balance at January 1, 2022	98,440	$ 16.00
Granted	24,880	15.07
Vested	(28,039)	$ 16.00
Forfeited	(14,297)	$ 16.00
Unvested Balance at December 31, 2022	80,984	$ 15.71

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 $1.5 million and $0.4 million for the years ended December 31, 2023 and 2022, respectively. The unamortized share-based compensation expense for the Company was approximately $4.5 million as of December 31, 2023, which the Company expects to recognize over the remaining weighted-average term of 2.1 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 year ended December 31, 2023, the Company sold an aggregate of 79,862 shares of the Company's common stock under the Sales Agreement, generating net proceeds of approximately $1.2 million.

As of December 31, 2023, 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 years ended December 31, 2023 and 2022:

	For the year ended December 31, 2023	2022
Net income attributable to common stockholders	$ 38,710,248	$ 32,292,477
Divided by:		
Basic weighted average shares of common stock outstanding	18,085,088	17,653,765
Diluted weighted average shares of common stock outstanding	18,343,725	17,746,214
Basic earnings per common share	**$ 2.14**	**$ 1.83**
Diluted earnings per common share	**$ 2.11**	**$ 1.82**

There were no anti-dilutive shares excluded from the computations of earnings per common share.

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 years ended December 31, 2023 and 2022, we did not incur excise tax expense. The income tax provision for the Company was $0 for the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, 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

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

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

Financial Assets and Liabilities Not Measured at Fair Value

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

		As of December 31,			
		2023		2022	
	Level in Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Loans held for investment	3	$ 353,640,610	$ 351,952,876	$ 339,273,538	$ 329,237,824
Cash and cash equivalents	1	7,898,040	7,898,040	5,715,827	5,715,827
Interest receivable	2	1,004,140	1,004,140	1,204,412	1,204,412
Other receivables and assets, net	2	705,960	705,960	1,018,212	1,018,212
Related party receivables	2	107,225	107,225	-	-
Financial liabilities:					
Revolving loan	2	$ 66,000,000	$ 65,633,408	$ 58,000,000	$ 57,194,404
Accounts payable and other liabilities	2	1,135,355	1,135,355	1,058,128	1,058,128
Interest reserve	2	1,074,889	1,074,889	1,868,193	1,868,193
Management and incentive fees payable	2	3,243,775	3,243,775	3,295,600	3,295,600
Related party payables	2	2,051,531	2,051,531	1,397,515	1,397,515
Dividend payable	2	13,866,656	13,866,656	13,618,591	13,618,591

Our loans are held for investment and are substantially secured by real estate, equipment, licenses and other assets of the borrowers to the extent permitted by the applicable laws and the regulations governing such borrowers. The aggregate fair value of the Company's loan portfolio was $351,952,876 and $329,237,824, with gross unrecognized holding (losses)/gains of $1,687,734 and $10,035,714 as of December 31, 2023 and 2022, respectively. The fair values, which are classified as Level 3 in the fair value hierarchy, are estimated using discounted cash flow models based on current market inputs for similar types of arrangements. The primary sensitivity in these models is based on the selection of appropriate discount rates. Fluctuations in these assumptions could result in different estimates of fair value.

13. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared during the years ended December 31, 2023 and 2022:

	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2023	4/14/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	6/30/2023	7/14/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	9/29/2023	10/13/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	12/29/2023	1/12/2024	$ 0.47	$ 0.47	$ -	$ 0.47
Special cash dividend	12/29/2023	1/12/2024	$ 0.29	$ 0.29	$ -	$ 0.29
Total cash dividend			**$ 2.17**	**$ 2.17**	**$ -**	**$ 2.17**

	Record Date	Payment Date	Common Share Distribution Amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	3/31/2022	4/14/2022	$ 0.40	$ 0.40	$ -	$ 0.40
Regular cash dividend	6/30/2022	7/15/2022	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	9/30/2022	10/14/2022	$ 0.47	$ 0.47	$ -	$ 0.47
Regular cash dividend	12/30/2022	1/13/2023	$ 0.47	$ 0.47	$ -	$ 0.47
Special cash dividend	12/30/2022	1/13/2023	$ 0.29	$ 0.29	$ -	$ 0.29
Total cash dividend			**$ 2.10**	**$ 2.10**	**$ -**	**$ 2.10**

14. SUBSEQUENT EVENTS

Investment Activity

During the period from January 1, 2024 through March 11, 2024, the Company funded approximately $16.5 million in new loan principal, of which $6.7 million and $9.8 million was advanced to a new portfolio company, and existing portfolio companies, respectively.

Additionally, in January 2024, the Company sold 100% of its debt securities, at fair value and received proceeds of approximately $840 thousand, which approximated the carrying value as of December 31, 2023.

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 #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 February 2024, we entered into an amendment to Loan #4, to extend the maturity date to April 16, 2024 and modified the interest rate for the period from February 14, 2024 through maturity to 15.0% PIK.

In March 2024, we entered into an amendment to Loan #6, which extended the maturity date to April 15, 2024, and waived amortization payments until such date. Additionally, previously accrued interest of approximately $0.3 million was paid in kind and capitalized to the principal balance. From the amendment date through maturity all interest at the prevailing interest rate will be paid in kind. In connection with this amendment, Loan #6 was restored to accrual status.

Payment of Dividend

On January 12, 2024, the Company paid its regular quarterly dividend of $0.47 per common share relating to the fourth quarter of 2023 to stockholders of record as of the close of business on December 29, 2023. The total amount of the cash dividend payment was approximately $8.5 million. Also on January 12, 2024, the Company paid its special cash dividend of $0.29 per common share relating to the year ended December 31, 2023 to stockholders of record as of the close of business on December 29, 2023. The total amount of the special cash dividend payment was approximately $5.3 million.

Revolving Loan

During the period January 1, 2024 through March 11, 2024, the Company had net borrowings and repayments on the Revolving Loan of $28.0 million. As of March 11, 2024, the Company has an outstanding balance of $94.0 and remaining availability of $6.0 million on the Revolving Loan.

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 approximately $0.1 million of debt issuance costs related to the Fifth Amendment and Restatement, which were capitalized and will subsequently be amortized through maturity.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 annual report on Form 10-K, 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 December 31, 2023. 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 December 31, 2023 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.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act). Our management, including our Principal Executive Officer and Principal Financial Officer, evaluated, as of December 31, 2023, the effectiveness of our internal control over financial reporting using the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our internal controls, as of December 31, 2023, were effective.

This annual report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to Section 404(b) and (c) of the Sarbanes-Oxley Act, which exempts emerging growth companies and non-accelerated filers from the auditor attestation requirement of Section 404(b) of the Sarbanes-Oxley Act.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On and effective March 7, 2024, the Board of Directors (the "Board") of Chicago Atlantic Real Estate Finance, Inc. (the "Company"), appointed Peter Sack as Co-Chief Executive Officer of the Company. Mr. Sack will serve as the Company's Co-Chief Executive Officer alongside Anthony Cappell, who has served as the Company's Chief Executive Officer since the Company's inception in 2021. Additionally, the Board appointed Andreas Bodmeier as President of the Company and removed the interim designation and appointed Phillip Silverman as Chief Financial Officer of the Company. Mr. Sack will serve as the Company's Principal Executive Officer and Mr. Silverman will continue to serve as the Company's Principal Financial Officer and Principal Accounting Officer, as such terms are used in the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

There is no family relationship between Messrs. Sack and Bodmeier and any other person that would require disclosure under Item 401(d) of Regulation S-K. Neither Messrs. Sack nor Bodmeier is a party to any transaction that would require disclosure under Item 404(a) of Regulation S-K and there has been no change to any of their compensation arrangements as a result of their appointments.

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 December 31, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

We will file a definitive Proxy Statement for our 2024 Annual Meeting of Stockholders (the "2024 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2024 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from our 2024 Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our 2024 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from our 2024 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from our 2024 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from our 2024 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

a. Documents Filed as Part of this Report

The following consolidated financial statements are set forth in Item 8:

b. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

3.1	Articles of Incorporation of Chicago Atlantic Real Estate Finance, Inc. (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
3.2	Articles of Amendment of Chicago Atlantic Real Estate Finance, Inc. (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
3.3	Form of Articles of Amendment and Restatement of Chicago Atlantic Real Estate Finance, Inc. (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
3.4	Amended and Restated Bylaws of Chicago Atlantic Real Estate Finance, Inc. (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
4.1	Form of Common Stock Certificate of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
4.2	Description of Registrant's securities (Incorporated by reference to the Registrant's Annual Report on Form 10-K, filed on April 14, 2022).
10.1	Management Agreement, dated May 1, 2021, by and between Chicago Atlantic Real Estate Finance, Inc. and Chicago Atlantic REIT Manager, LLC (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
10.2	Form of Indemnification Agreement between the Registrant and each of its directors and officers (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
10.3	Form of Registration Rights Agreement, by and among Chicago Atlantic Real Estate Finance, Inc. and the holders thereto (Incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on December 6, 2021).
10.4	Chicago Atlantic Real Estate Finance, Inc. 2021 Omnibus Incentive Plan (Incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on November 12, 2021).
10.5	Amendment to the Management Agreement (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
10.6	Fifth Amended and Restated Loan and Security Agreement, dated as of February 28, 2024, among Chicago Atlantic Lincoln, LLC, Chicago Atlantic Real Estate Finance, Inc., the other Persons from time to time party thereto, as borrowers; and the financial institutions party thereto, as Lenders**
21.1	List of Subsidiaries of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-260505), filed on October 26, 2021).
23.1	Consent of BDO USA LLP, Independent Registered Public Accounting Firm.*
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
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.*
97	Chicago Atlantic Real Estate Finance, Inc. Dodd-Frank Clawback Policy.*
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**

**** In accordance with Item 601(b)(10) of Regulation S-K, certain provisions or terms of the Agreement have been redacted. The Company will provide an unredacted copy of the exhibit on a supplemental basis to the SEC or its staff upon request.**

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 12, 2024.

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Peter Sack
Peter Sack
Co-Chief Executive Officer and Director
(Principal Executive Officer)
March 12, 2024

/s/ Phillip Silverman
Phillip Silverman
Chief Financial Officer
(Principal Financial and Accounting Officer)
March 12, 2024

/s/ John Mazarakis
John Mazarakis
Director
March 12, 2024

/s/ Dr. Andreas Bodmeier
Dr. Andreas Bodmeier
Director
March 12, 2024

/s/ Anthony Cappell
Anthony Cappell
Co-Chief Executive Officer and Director
March 12, 2024

/s/ Dr. Jason Papastavrou
Dr. Jason Papastavrou
Independent Director
March 12, 2024

/s/ Frederick C. Herbst
Frederick C. Herbst
Independent Director
March 12, 2024

/s/ Brandon Konigsberg
Brandon Konigsberg
Independent Director
March 12, 2024

/s/ Donald E. Gulbrandsen
Donald E. Gulbrandsen
Independent Director
March 12, 2024

/s/ Michael L. Steiner
Michael L. Steiner
Independent Director
March 12, 2024

Exhibit 10.6

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

FIFTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

Dated as of February 28, 2024

CHICAGO ATLANTIC LINCOLN, LLC

THE OTHER BORROWERS FROM TIME TO TIME PARTY HERETO

as Borrowers

THE VARIOUS FINANCIAL INSTITUTIONS PARTY HERETO,

as Lenders, and
[***] BANK, as Agent

[***] BANK and [***] BANK,

as Joint Lead Arrangers

[***] BANK,

as Observation Agent

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

LIST OF SCHEDULES

TABLE OF CONTENTS
(continued)

Page

EXHIBITS

FIFTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FIFTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Agreement") is dated as of February 28, 2024, among **CHICAGO ATLANTIC LINCOLN, LLC**, a Delaware limited liability company ("CAL"), the other Persons from time to time party hereto as borrowers (such Persons, collectively with CAL, the "Borrowers" and each a "Borrower"), the financial institutions party to this Agreement from time to time as Lenders, **[***] BANK**, an [***] state banking association, as administrative agent for the Lenders (in such capacity, "Agent"), and **[***] BANK** and **[***] BANK**, as Joint Lead Arrangers.

R E C I T A L S:

WHEREAS, CAL, the Lenders party hereto, Agent and Joint Lead Arrangers are parties to that certain Fourth Amended and Restated Loan and Security Agreement (as amended from time to time prior to the date hereof, the "Original Loan Agreement") dated as of June 30, 2023, pursuant to which CAL established certain financing arrangements with the Lenders;

WHEREAS, the parties hereto desire to amend and restate the Original Loan Agreement and certain other documents, instruments and agreements executed in connection with the Original Loan Agreement to provide for, among other items, an increase in the Commitments;

WHEREAS, upon execution and delivery of this Agreement by the parties hereto and satisfaction of the conditions contained in Section 6.1, the Original Loan Agreement and all obligations and rights of any party thereunder shall be amended and restated by this Agreement; provided, however, that the obligations of CAL to repay the "Obligations" arising under (and as defined in) the Original Loan Agreement shall continue in full force and effect and the Liens and security interests securing payment and performance thereof shall be continuing but shall now be governed by the terms of this Agreement and the other Loan Documents (as defined below) and such Liens and security interests shall secure the Obligations evidenced by this Agreement; and

WHEREAS, Agent, Lenders and the Borrowers acknowledge and confirm that the aggregate principal amount of outstanding Loans (as defined in the Original Loan Agreement) is $94,000,000.00 as of the date hereof.

NOW, THEREFORE, for valuable consideration hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS; RULES OF CONSTRUCTION

1.1. Definitions. As used herein, the following terms have the meanings set forth below:

Account Debtor: a Person to whom an Advance is made.

Advance: any loan or advance made by a Borrower, or in which a Borrower has acquired an ownership interest pursuant to an assignment (which assignment may be in the form of sale for cash or through an equity contribution from CAREF), in the Ordinary Course of Business, that is secured by a first priority perfected lien on Eligible Real Estate in favor, or for the benefit of, such Borrower.

Affected Financial Institution: any EEA Financial Institution or UK Financial Institution.

Affiliate: with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings.

Agent Fee Letter: means that certain Fifth Amended and Restated Agent Fee Letter dated as of the date hereof made by and between Agent and the Borrowers from time to time party thereto, as amended, restated, supplemented and otherwise modified from time to time.

Allocable Amount: as defined in Section 5.10.3(b).

Anti-Terrorism Law: any Law relating to terrorism or money laundering, including the PATRIOT Act.

Applicable Margin: means, for any day, the rate per annum set forth below opposite the level (the "Level") then in effect:

Level	Leverage Ratio	Applicable Margin
I	Greater than 1.25 to 1.00	1.25%
II	Less than or equal to 1.25 to 1.00 but greater than 1.00 to 1.00	1.00%
III	Less than or equal to 1.00 to 1.00 but greater than 0.75 to 1.00	0.75%
IV	Less than or equal to 0.75 to 1.00 but greater than to 0.50 to 1.00	0.50%
V	Less than or equal to 0.50 to 1.00 but greater than 0.25 to 1.00	0.25%
VI	Less than or equal to 0.25 to 1.00	0.00%

The Applicable Margin shall be subject to increase or decrease by Agent on the tenth (10^{th}) day after Borrowers provide or are required to provide the quarterly financial statements and other information required pursuant to clauses (c) and (d) of Exhibit F (such increase or decrease to be retroactively applied as of the first day of each Fiscal Quarter for which such financial statements were provided or required to be provided). If Agent is unable to calculate the Leverage Ratio due to Borrowers' failure to timely deliver any such information when required hereunder, then, at the option of Agent or Required Lenders, the Applicable Margin shall be determined as if Level I were applicable until the fifth (5^{th}) day following its receipt.

Appraisal: An MAI appraisal of the value of a parcel of Eligible Real Estate, performed by an independent appraiser with experience appraising commercial properties of a type or types similar to the subject parcel, with any such Appraisal for an Eligible Real Estate being performed by an independent appraiser acceptable to Agent who is not an employee of any Borrower or any of their Subsidiaries, Agent or a Lender, the form and substance of such appraisal and the identity of the appraiser to be, in each case, approved by Agent and in compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, the rules and regulations adopted pursuant thereto, and all other regulatory laws and policies (both regulatory and internal).

Appraised Value: (a) If the Advance is to be used to fund construction, the "as-completed" value of Eligible Real Estate determined by the most recent applicable Appraisal of such Eligible Real Estate, as approved by Agent or (b) otherwise, the "as-is" value of Eligible Real Estate determined by the most recent applicable Appraisal of such Eligible Real Estate, as approved by Agent.

Approved Fund: any entity owned or Controlled by a Lender or Affiliate of a Lender, if such entity is engaged in making or investing in commercial loans in its ordinary course of activities.

Assignment: an assignment agreement between a Lender and Eligible Assignee, in the form of Exhibit A or otherwise satisfactory to Agent.

Availability: the Borrowing Base minus Revolver Usage.

Availability Reserve: the sum (without duplication) of (a) the Rent and Charges Reserve; (b) the Bank Product Reserve, provided the aggregate amount thereof shall not exceed the aggregate amount of Bank Product Debt then outstanding; (c) the aggregate amount of liabilities secured by Liens upon Collateral that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); and (d) such additional reserves, in such amounts and with respect to such matters, as Agent in its Permitted Discretion may elect to impose from time to time; provided, however, that Agent shall provide Borrowers with notice of at least five (5) Business Days prior to imposing any Availability Reserve, and provided, further, that no Availability Reserve shall be duplicative of any other Availability Reserve or any ineligibility component.

Bail-In Action: the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

Bail-In Legislation: with respect to (a) any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule, or (b) the United Kingdom, Part I of the United Kingdom Banking Act 2009 and any other law applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

Bank Product: any of the following products, services or facilities extended to an Obligor or Affiliate of an Obligor by a Lender or any of its Affiliates: (a) Cash Management Services;
(b) commercial credit card and merchant card services and corporate purchasing cards; and
(c) leases and other banking products or services, other than Letters of Credit.

Bank Product Debt: Debt, obligations and other liabilities of an Obligor or Affiliate of an Obligor with respect to Bank Products.

Bank Product Reserve: the aggregate amount of reserves established by Agent from time to time in its reasonable discretion in respect of Bank Product Debt.

Bankruptcy Code: Title 11 of the United States Code.

Beneficial Ownership Certification: a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

Beneficial Ownership Regulation: 31 C.F.R. § 1010.230.

Board of Governors: the Board of Governors of the Federal Reserve System.

Borrowed Money: with respect to any Obligor, without duplication, its (a) Debt that
(i) arises from the lending of money by any Person to such Obligor; (ii) is evidenced by notes, drafts, bonds, debentures, credit documents or similar instruments; (iii) accrues interest or is a type upon which interest charges are customarily paid (excluding trade payables owing in the Ordinary Course of Business); or (iv) was issued or assumed as full or partial payment for Property;
(b) Capital Leases; (c) reimbursement obligations with respect to letters of credit; and
(d) guaranties of any Debt of the foregoing types owing by another Person. Borrower Agent: as defined in Section 4.3.

Borrower Materials: Borrowing Base Certificates, Compliance Certificates, Notices of Borrowing and other information, reports, financial statements and materials delivered by Obligors under the Loan Documents, as well as Reports and other information provided by Agent to Lenders in connection with the credit facility established by this Agreement.

Borrower's Loan Policy: the written loan policy and criteria (including underwriting guidelines) utilized by Borrowers with respect to any loan or advance made by Borrowers to a Person (including Advances), consistently applied, in the form provided by CAL to Agent prior to the Restatement Date.

Borrowing: a group of Loans that are made or converted together on the same day and have the same interest option.

Borrowing Base: on any date of determination, an amount determined by the Agent with reference to the most recent Borrowing Base Certificate to be equal to the lesser of:

(a) the Commitments; and

(b) the sum of, for each Eligible Advance, the lesser of:

(i) (A) 70% (or such lesser percentage as determined by Agent in its sole and reasonable discretion at the time such Advance is initially determined to be an Eligible Advance by the Agent; provided that after such initial determination is made by the Agent, such percentage shall not be reduced) of the outstanding principal amount of such Eligible Advance; minus (B) the Availability Reserve applicable to such Advance; and

(ii) (A) 50% (or such lesser percentage as determined by Agent in its sole and reasonable discretion at the time such Advance is initially determined to be an Eligible Advance by the Agent; provided that after such initial determination is made by the Agent, such percentage shall not be reduced) of the pro rata portion of Appraised Value, of the Eligible Real Estate securing such Advance, which is attributable to such Advance; minus (B) the Availability Reserve applicable to such Advance.

Notwithstanding anything to the contrary in this Agreement or any other Loan Document:

(a)the aggregate amount advanced by the Lenders in connection with all Eligible Advances owing by any one (1) Account Debtor and its Affiliates, collectively, shall not exceed the greater of (i) $10,000,000 and (ii) twenty percent (20%) of the Commitments;

(b)not more than 40% of the applicable Borrower's pro rata share of Appraised Value of the Eligible Real Estate included in the calculation of the Borrowing Base shall be based on the Appraised Value as determined pursuant to clause (a) of the definition thereof; and

(c)the Borrowing Base shall be zero at all times there are less than four (4) Eligible Advances, all of which are from different and unaffiliated Account Debtors, unless CAL has at least $10,000,000 of unrestricted cash in an account held with the Agent.

Borrowing Base Certificate: a certificate substantially in the form of Exhibit B (or such other form acceptable to Agent) and satisfactory to Agent in all respects, by which Borrowers certify the Borrowing Base.

Business Day: any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, Illinois, New York or California.

Capital Expenditures: all liabilities incurred or expenditures made by a Borrower or Subsidiary for the acquisition of fixed assets, or any improvements, replacements, substitutions or additions thereto with a useful life of more than one year.

Capital Lease: any lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

CAREF: Chicago Atlantic Real Estate Finance, Inc., a Maryland corporation.

CAREF Guaranty: the Amended and Restated Continuing Unconditional Guaranty dated as of December 16, 2021 made by CAREF in favor of Agent, for the benefit of the Lenders, as amended, restated, supplemented and otherwise modified from time to time.

CAREFM: Chicago Atlantic REIT Manager, LLC, a Delaware limited liability company. Cash Collateral: cash, and any interest or other income earned thereon, that is delivered to Agent to Cash Collateralize any Obligations.

Cash Collateral Account: a demand deposit, money market or other account maintained with [***] Bank (or, if [***] Bank is no longer the Agent, such other institution as is reasonably acceptable to the Agent, or if there is no Agent, then the Required Lenders) and subject to Agent's Liens.

Cash Collateralize: the delivery of cash to Agent, as security for the payment of Obligations, in an amount equal to (a) with respect to LC Obligations, 105% of the aggregate LC Obligations; and (b) with respect to any inchoate, contingent or other Obligations (including Obligations arising under Bank Products), Agent's good faith estimate of the amount due or to become due, including fees, expenses and indemnification hereunder. "Cash Collateralization" has a correlative meaning.

Cash Equivalents: (a) marketable obligations issued or unconditionally guaranteed by, and backed by the full faith and credit of, the United States government, maturing within 12 months of the date of acquisition; (b) certificates of deposit, time deposits and bankers' acceptances maturing within 12 months of the date of acquisition, and overnight bank deposits, in each case which are issued by [***] Bank or a commercial bank organized under the laws of the United States or any state or district thereof, rated A-1 (or better) by S&P or P-1 (or better) by Moody's at the time of acquisition, and (unless issued by [***] Bank) not subject to offset rights;
(c) repurchase obligations with a term of not more than 30 days for underlying investments of the types described in clauses (a) and (b) entered into with any bank described in clause (b);
(d) commercial paper issued by [***] Bank or rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and maturing within nine months of the date of acquisition; and (e) shares of any money market fund that has substantially all of its assets invested continuously in the types of investments referred to above, has net assets of at least $500,000,000 and has the highest rating obtainable from either Moody's or S&P.

Cash Management Services: services relating to operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, lockbox and stop payment services.

Change in Law: the occurrence, after the date hereof, of (a) the adoption, taking effect or phasing in of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof; or (c) the making, issuance or application of any request, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that "Change in Law" shall include, regardless of the date enacted, adopted or issued, all requests, rules, guidelines, requirements or directives (i) under or relating to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or (ii) promulgated pursuant to Basel III by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar authority) or any other Governmental Authority.

Change of Control: (a) CAL ceases to own and control, beneficially and of record, directly or indirectly, all Equity Interests in all other Borrowers that are Subsidiaries of CAL; (b) CAREF ceases to own and control, beneficially and of record, one hundred percent (100%) of the Equity Interests of CAL; (c) CAREF ceases to be managed by CAREFM; (d) the sale or transfer of all or substantially all assets of Borrower; (e) any pledge, assignment or hypothecation of or Lien or encumbrance on any of the legal or beneficial Equity Interests in the Equity Interests of CAL or other Borrowers; (f) CAREFM ceases to be controlled by Andreas Bodmeier, Anthony Cappell or John Mazarakis; (g) any change in the legal or beneficial ownership or control of the outstanding voting Equity Interests of any Borrower or any entity within the Sponsor Group necessary at all times to elect a majority of the board of directors (or similar governing body) of each such Person or to direct the management policies and decisions of such Person; or (h) the acquisition of ownership, directly or indirectly, beneficially or of record, by any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), other than Andreas Bodmeier, Anthony Cappell or John Mazarakis, or any combination of the foregoing, shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under such Act), directly or indirectly, of more than thirty-five percent (35%) of the then outstanding voting stock of CAREF on a fully-diluted basis.

Chicago Atlantic Group: means Chicago Atlantic Group, LLC, a Delaware limited liability company.

Claims: all claims, liabilities, obligations, losses, damages, penalties, judgments, proceedings, interest, costs and expenses of any kind (including remedial response costs, reasonable attorneys' fees and Extraordinary Expenses) at any time (including after Full Payment of the Obligations) incurred by any Indemnitee or asserted against any Indemnitee by any Obligor or other Person, in any way relating to (a) any Loans, Letters of Credit, Loan Documents, or the use thereof or transactions relating thereto; (b) any action taken or omitted in connection with any Loan Documents; (c) the existence or perfection of any Liens, or realization upon any Collateral;
(d) exercise of any rights or remedies under any Loan Documents or applicable Law; or (e) failure by any Obligor to perform or observe any terms of any Loan Document, in each case including all reasonable costs and expenses relating to any investigation, litigation, arbitration or other proceeding (including an Insolvency Proceeding or appellate proceedings), whether or not the

applicable Indemnitee is a party thereto. Notwithstanding anything to the contrary contained herein or in the Loan Documents, Obligors' obligations to pay, reimburse or indemnify for legal fees, costs and expenses shall be limited to legal fees, costs and expenses of a single primary counsel (and a single local counsel in each applicable jurisdiction) for Agent and Lenders unless an actual or perceived conflict of interest exists, in which case, Obligors shall be required to pay for one additional counsel (and an additional local counsel in each applicable jurisdiction) for the parties affected by such conflict, taken as a whole.

Code: the Internal Revenue Code of 1986.

Collateral: all Property described in Section 7.1, all Property described in this Agreement or any Security Documents as security for any Obligations, and all other Property that now or hereafter secures (or is intended to secure) any Obligations.

Collateral Documents: each of (i) the Collateral Assignment of Loan Documents, the form of which is attached hereto as Exhibit H, (ii) the Allonge, a form of which is attached hereto as Exhibit I, (iii) any Assignment of Mortgage provided pursuant to Section 9.2.22, a form of which is attached hereto as Exhibit J, and (iv) any Collateral Assignment of Mortgage provided pursuant to Exhibit D, clause (j), a form of which is attached hereto as Exhibit K.

Commitment: for any Lender, its obligation to make Loans and to participate in LC Obligations up to the maximum principal amount shown on Schedule 1.1, as hereafter modified pursuant to an Assignment to which it is a party. "Commitments" means the aggregate amount of all Lenders' Commitments.

Commitment Termination Date: the earliest to occur of (a) the Revolver Termination Date;
(b) the date on which Borrowers terminate the Commitments pursuant to Section 2.1.3; or (c) the date on which the Commitments are terminated pursuant to Section 10.2.

Commodity Exchange Act: the Commodity Exchange Act (7 U.S.C. § 1 et seq.) as amended from time to time, and any successor statute.

Compliance Certificate: a certificate substantially in the form of Exhibit C, and satisfactory to Agent in all respects, by which Borrowers certify compliance with Sections 9.2.3 and 9.3.

Connection Income Taxes: Other Connection Taxes that are imposed on or measured by net income (however denominated), or are franchise or branch profits Taxes.

Contingent Obligation: any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co- making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or- pay or similar payments regardless of nonperformance by any other party to an agreement; and
(c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital,

equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or
(v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

Control: possession, directly or indirectly, of the power to direct or cause direction of a Person's management or policies, whether through the ability to exercise voting power, by contract or otherwise.

Debt: as applied to any Person, without duplication, (a) all items that would be included as liabilities on a balance sheet in accordance with GAAP, including Capital Leases, but excluding trade payables incurred and being paid in the Ordinary Course of Business; (b) all Contingent Obligations; (c) all reimbursement obligations in connection with letters of credit issued for the account of such Person; and (d) in the case of a Borrower, the Obligations. The Debt of a Person shall include any recourse Debt of any partnership in which such Person is a general partner or joint venturer.

Debt Service Coverage Ratio: the ratio, determined on a consolidated basis for Borrowers and Subsidiaries for the most recent Fiscal Year, of (a) EBITDA minus Capital Expenditures (except those financed with Borrowed Money other than Revolver Loans) and cash taxes paid, to
(b) Fixed Charges.

Debtor Relief Laws: the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

Debtor Relief Plan: a plan of reorganization or plan of liquidation pursuant to any Debtor Relief Laws.

Default: an event or condition that, with the lapse of time or giving of notice, would constitute an Event of Default.

Default Rate: for any Obligation (including, to the extent permitted by Law, interest not paid when due), 10% plus the interest rate otherwise applicable thereto.

Defaulting Lender: any Lender that (a) has failed to comply with its funding obligations hereunder, and such failure is not cured within two Business Days; (b) has notified Agent or any Borrower that such Lender does not intend to comply with its funding obligations hereunder or under any other credit facility, or has made a public statement to that effect; (c) has failed, within three Business Days following written request by Agent or any Borrower, to confirm that such Lender will comply with its funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Agent and the Borrowers); or (d) has, or has a direct or indirect parent company that has, become the subject of an Insolvency Proceeding (including reorganization, liquidation, or appointment of a receiver, custodian, administrator or similar Person by the Federal Deposit Insurance Corporation or any other regulatory authority) or Bail-In Action; provided, that a Lender shall not be a Defaulting Lender solely by virtue of a Governmental Authority's ownership of an equity interest in such Lender or parent company unless the ownership provides immunity for such Lender from jurisdiction of courts within the United States or from enforcement of judgments or writs of attachment on its assets, or permits such Lender or Governmental Authority to repudiate or otherwise to reject such Lender's agreements.

Deposit Account Control Agreement: a control agreement satisfactory to Agent executed by an institution maintaining a Deposit Account for an Obligor, to perfect Agent's Lien on such account.

Designated Jurisdiction: a country or territory that is the subject of a Sanction. Disqualified Institution: on any date, (a) any Person that has been designated by Borrower Agent as a "Disqualified Institution" by written notice to Agent and the Lenders, on or prior to the Restatement Date, and any of such Person's Affiliates (other than any bona-fide debt funds) that are either (x) identified in writing by Borrower Agent to the Agent and the Lenders from time to time or (y) clearly identifiable as an Affiliate on the basis of such Affiliate's name) and (b) any other Person that is any Borrower's or its subsidiaries' direct competitor that is in the same or a similar line of business of any Borrower, any Subsidiary of any Borrower or any Guarantor, which Person has been designated by Borrower Agent as a "Disqualified Institution" by written notice to Agent and the Lenders (including by posting such notice to the Platform) not less than five Business Days prior to such date; provided that "Disqualified Institutions" shall exclude (x) any Person that Borrower Agent has designated as no longer being a "Disqualified Institution" by written notice delivered to Agent and the Lenders from time to time and (y) US banks; provided, further, that notwithstanding anything herein to the contrary, there shall be no "Disqualified Institutions" during the existence of any Event of Default.

Distribution: any declaration or payment of a distribution, interest or dividend on any Equity Interest (other than payment-in-kind); distribution, advance or repayment of Debt to a holder of Equity Interests; purchase, redemption, or other acquisition or retirement for value of any Equity Interest; or any payment of management fees.

Division/Series Transaction: with respect to the Obligors and their Subsidiaries, that any such Person (a) divides into two or more Persons (whether or not the original Obligor or Subsidiary thereof survives such division) or (b) creates, or reorganizes into, one or more series, in each case as contemplated under the laws of any jurisdiction.

Dollars: lawful money of the United States.

Dominion Account: a special account established by Borrowers at [***] Bank (or, if [***] Bank is no longer the Agent, such other institution as is reasonably acceptable to the Agent, or if there is no Agent, then the Required Lenders) which Agent has exclusive control for withdrawal purposes.

DQ List: has the meaning specified in Section 12.3.5(d).

EBITDA: determined on a consolidated basis for Borrowers and Subsidiaries, net income, calculated before interest expense, provision for income taxes, depreciation and amortization expense, gains or losses arising from the sale of capital assets, gains arising from the write-up of assets, and any extraordinary gains (in each case, to the extent included in determining net income), plus closing fees collected in cash within the applicable period minus the amount of closing fees included in net income which was not collected in cash within the applicable period.

EEA Financial Institution: (a) any credit institution or investment firm established in an EEA Member Country that is subject to the supervision of an EEA Resolution Authority; (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) above; or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in the foregoing clauses and is subject to consolidated supervision with its parent.

EEA Member Country: any of the member states of the European Union, Iceland, Liechtenstein and Norway.

EEA Resolution Authority: any public administrative authority or any Person entrusted with public administrative authority of an EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

Eligible Advances: collectively, each Advance due to a Borrower that is designated by the Agent, at the time such Advance is initially requested to be added to the Borrowing Base pursuant to a Borrowing Base Certificate or following a Material Amendment, in each case, in the Agent's sole and reasonable discretion, to be an Eligible Advance. Notwithstanding anything in this Agreement or any other Loan Document to the contrary, at no time shall any Advance described below be deemed an Eligible Advance:

(i) such Advance is not genuine and in all respects what it purports to be;

(ii) (A) such Advance is not owned by a Borrower, (B) the applicable Borrower does not have the right to subject such Advance to a security interest in favor of Agent or assign such Advance to Agent (or any such assignment is restricted or conditioned, other than the condition to obtain consent of the applicable Account Debtor or, as applicable, the administrative agent, collateral agent or any other agent serving in similar capacity under such Advance; provided that such consent is restricted from being unreasonably withheld, and not required during an event of default, under the documents governing such Advance), (C) such Advance is not subject to a first priority perfected security interest in favor of Agent, or (D) such Advance is subject to any other Lien, other than Permitted Liens;

(iii) such Advance does not arise from a loan or advance from a Borrower to an unaffiliated Person (who is not a natural person) in the Ordinary Course of Business;

(iv) such Advance is not evidenced by a loan, credit or comparable agreement and related documentation, in form and substance acceptable to Agent executed by the applicable Account Debtor;

(v) the term of the applicable loan or advance underlying such Advance has expired and any amount owing thereunder remains unpaid for more than thirty (30) days or the applicable Account Debtor is more than thirty (30) days delinquent with respect to the payment of interest, principal or any other amount due thereunder; or a default or event of default has occurred under any of the agreements or other documentation underlying such Advance and such default or event of default remains uncured for a period of thirty (30) or more days;

(vi) such Advance is not a valid, legally enforceable and unconditional obligation of the Account Debtor thereunder, or such Advance is subject to any setoff, counterclaim, credit, allowance or adjustment by such Account Debtor, to the extent of such setoff, counterclaim, credit, allowance or adjustment or such Advance is subject to any claim by such Account Debtor denying liability thereunder in whole or in part, to the extent of the amount of such claim;

(vii) such Advance fails in any material respect to comply with the requirements of applicable Law or the Borrower's Loan Policy;

(viii) the Account Debtor thereunder is a director, officer, employee or agent of an Obligor or an Affiliate of an Obligor;

(ix) such Advance is an Advance with respect to which the applicable Account Debtor is located in a state which requires Borrower, as a precondition to commencing or maintaining an action in the courts of that state, either to (A) receive a certificate of authority to do business and be in good standing in such state; or (B) file a notice of business activities report or similar report with such state's taxing authority, unless (x) the applicable Borrower has taken one of the actions described in clauses (A) or (B); (y) the failure to take one of the actions described in either clause (A) or (B) may be cured retroactively by the applicable Borrower at its election; or (z) the applicable Borrower has proven, to Agent's satisfaction, that it is exempt from any such requirements under any such state's laws;

(x) the Account Debtor thereunder is not located within the United States of America or Canada;

(xi) the Account Debtor thereunder has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, has made an assignment for the benefit of creditors, or a decree or order for relief has been entered by a court having jurisdiction in the premises in respect of the Account Debtor in any involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other petition or other application for relief under the federal bankruptcy laws, as now constituted or hereafter amended, has been filed against the Account Debtor, or the Account Debtor has failed, suspended business, ceased to be Solvent, or has consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs;

(xii) any Borrower or a Subsidiary of any Borrower has made any agreement with the Account Debtor for any extension, compromise, settlement or modification of such Advance or deduction therefrom, except for extensions, modifications or amendments which are made in the Ordinary Course of Business, which extensions, modifications or amendments do not (A) result from a deterioration in the applicable Account Debtor's creditworthiness, (B) reduce or discount the principal balance or (C) extend the weighted average life of the contractual principal payments;

(xiii)such Advance is an Advance (A) with respect to which any representation or warranty contained in this Agreement is untrue; or (B) which violates any of the covenants of Borrowers contained in this Agreement;

(xiv)such Advance is an Advance with respect to which the prospect of payment or performance by the Account Debtor is or will be impaired, as determined by Agent in its sole and reasonable discretion determined in good faith;

(xv) unless otherwise approved by Agent in writing in its sole discretion, (A) such Advance results from the purchase of, or co-loan by, a Borrower of a portion of a credit facility of another lender or a credit facility managed, agented or otherwise administered by another lender, unless such other lender is another Borrower or (B) the administrative agent, collateral agent or any other agent serving in similar capacity under such Advance, if any, is any Person other than (1) a Borrower or (2) any Affiliate of Chicago Atlantic Group that is controlled by Chicago Atlantic Group and is a party to the side letter with the Agent, dated as of December 16, 2021;

(xvi)if such Advance is to be used to fund construction, Borrower has not received, in connection with such Advance, (A) an itemized payee list including a summary and copies of all invoices included in the request for such Advance, (B) copies of invoices for all soft costs included in such request, (C) a conditional waiver of construction lien, mechanic's lien and/or materialman's lien, executed by the general contractor of the applicable Account Debtor in the amount of the lienable costs of the applicable project to be paid from such Advance, (D) fully completed, executed and notarized originals of AIA Forms G702/703 for the general contractor and each other contractor who is to receive a disbursement from such Advance, signed and certified by the applicable architect, or by another construction supervisor, stating that each such general contractor and contractor has satisfactorily completed the work for which disbursement (less required 5% retainage) is requested in such request and (E) such other documentation and information as requested by Agent in its sole and reasonable discretion;

(xvii)the Account Debtor thereunder is also an Account Debtor under another Advance where a material default has occurred and is continuing;

(xviii)such Advance is evidenced by an Instrument or Chattel Paper unless the original Instrument or Chattel Paper has been delivered to Agent; or

(xix)such Advance is not secured by a properly perfected first priority security interest, in favor, or for the benefit, of the applicable Borrower, in the Account Debtor's assets constituting collateral for such Advance (including, without limitation, any Eligible Real Estate securing such Advance).

Eligible Assignee: (a) a Lender, Affiliate of a Lender or Approved Fund that satisfies Sections 11.13, 12.3.3 and 12.3.5; (b) an assignee approved by Borrower Agent (which approval shall not be unreasonably withheld, conditioned or delayed, and shall be deemed given if no objection is made within five days after notice of the proposed assignment) and Agent (which approval shall not be unreasonably withheld, conditioned or delayed); or (c) during an Event of Default, any Person acceptable to Agent (which approval shall not be unreasonably withheld, conditioned or delayed). For the avoidance of doubt, any Disqualified Institution is subject to Section 12.3.5.

Eligible Counterparty: the Agent, any Affiliate of the Agent, any Lender and any Affiliate of any Lender, in each case, that from time to time enters into a Lender Hedging Agreement with any Borrower or any Subsidiary thereof; provided, the term "Eligible Counterparty" shall include any Person that is the Agent, an Affiliate of the Agent, a Lender or an Affiliate of a Lender as of the Restatement Date or as of the date that such Person enters into a Lender Hedging Agreement, but subsequently ceases to be the Agent, an Affiliate of the Agent, a Lender or an Affiliate of a Lender, as the case may be.

Eligible Real Estate: individually and collectively, the commercial real estate and improvements located in the United States that constitute collateral for an Eligible Advance, and with respect to which each of the following is available, unless waived by Agent in its sole and reasonable discretion:

(i) an environmental desktop report or phase I environmental site assessment report;

(ii) a completed flood hazard determination from a third party vendor evidencing whether any such real estate and/or improvements are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" (or a similar designation);

(iii) a survey;

(iv) a zoning report, if reasonably available and obtainable without material cost or delay;

(v) a duly executed and recorded copy of the mortgage, deed of trust or deed for secured debt (and, if applicable, a fixture filing) granted to the applicable Borrower;

(vi) a lenders' policy of title insurance for the benefit of the applicable Borrower; and

(vii) such other documentation and information as requested by Agent in its sole and reasonable discretion.

Enforcement Action: any action to enforce any Obligations or Loan Documents or to exercise any rights or remedies relating to any Collateral, whether by judicial action, self-help, notification of Account Debtors, setoff or recoupment, credit bid, deed in lieu of foreclosure, action in an Insolvency Proceeding or otherwise.

Environmental Laws: applicable Laws (including programs, permits and guidance promulgated by regulatory agencies), relating to public health (other than occupational safety and health regulated by OSHA) or the protection or pollution of the environment, including the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6991-6991i) and the Clean Water Act (33 U.S.C. §§ 1251 et seq.).

Environmental Notice: a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

Environmental Release: a release as defined under any Environmental Law.

Equity Interest: the interest of any (a) shareholder in a corporation; (b) partner in a partnership (whether general, limited, limited liability or joint venture); (c) member in a limited liability company; or (d) other Person having any other form of equity security or ownership interest.

ERISA: the Employee Retirement Income Security Act of 1974.

ERISA Affiliate: any trade or business (whether or not incorporated) under common control with an Obligor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

ERISA Event: (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by any Obligor or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Obligor or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) the determination that any Pension Plan or Multiemployer Plan is considered an at risk plan or a plan in critical or endangered status under the Code, ERISA or the Pension Protection Act of 2006; (f) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Obligor or ERISA Affiliate.

EU Bail-In Legislation Schedule: the EU Bail-In Legislation Schedule published by the Loan Market Association, as in effect from time to time.

Event of Default: as defined in Section 10.1.

Excluded Swap Obligations: with respect to any Obligor (other than the direct counterparty of such Swap Obligation), any Swap Obligation of a Obligor (other than the direct counterparty of such Swap Obligation) if, and to the extent that, all or a portion of the guarantee of such Obligor pursuant to a Guaranty of, or the grant by such Obligor of a security interest pursuant hereto or any other Loan Documents to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Obligor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time the guarantee of such Obligor pursuant to a Guaranty or the grant of such security interest would have otherwise become effective with respect to such Swap Obligation but for such Guarantor's failure to constitute an "eligible contract participant" at such time. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

Excluded Tax: (a) Taxes imposed on or measured by a Recipient's net income (however denominated), franchise Taxes and branch profit Taxes (i) as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of a Lender, its lending office located in, the jurisdiction imposing such Tax, or (ii) constituting Other Connection Taxes; and (b) U.S. federal withholding Taxes imposed pursuant to FATCA.

Extraordinary Expenses: all (a) reasonable, out-of-pocket and documented costs, expenses or advances that Agent or any Lender may incur during a Default or Event of Default, or during the pendency of an Insolvency Proceeding of an Obligor, including those relating to: (i) any audit, inspection, repossession, storage, repair, appraisal, insurance, manufacture, preparation or advertising for sale, sale, collection, or other preservation of or realization upon any Collateral; (ii) any action, arbitration or other proceeding (whether instituted by or against Agent, any Lender, any Obligor, any representative of creditors of an Obligor or any other Person) in any way relating to any Collateral (including the validity, perfection, priority or avoidability of Agent's Liens with respect to any Collateral), Loan Documents, Letters of Credit or Obligations, including any lender liability or other Claims; (iii) the exercise of any rights or remedies of Agent or any Lender in, or the monitoring of, any Insolvency Proceeding; (iv) settlement or satisfaction of any taxes, charges or Liens with respect to any Collateral; (v) any action to enforce any Obligations or Loan Documents or to realize upon any Collateral (whether by judicial action, self-help, notification of Account Debtors, exercise of set off or recoupment, credit bid or otherwise); and (vi) negotiation and documentation of any modification, waiver, workout, restructuring or forbearance with respect to any Loan Documents or Obligations and (b) all reasonable, out-of-pocket and documented costs and expenses incurred by any Lender in connection with, after the occurrence and during the continuation of an Event of Default, the enforcement or protection of its rights, or any workout with respect to (i) this Agreement and the other Loan Documents or (ii) the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. Such reasonable costs, expenses and advances include transfer fees, Other Taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' and auctioneers' fees and commissions, accountants' fees, environmental study fees, wages and salaries paid to employees of any Obligor or independent contractors in liquidating any Collateral, and travel expenses. Notwithstanding anything to the contrary contained herein or in the Loan Documents, Obligors' obligations to pay, reimburse or indemnify for legal fees, costs and expenses constituting Extraordinary Expenses shall be limited to legal fees, costs and expenses of a single primary counsel (and a single local counsel in each applicable jurisdiction) for Agent and Lenders unless an actual or perceived conflict of interest exists, in which case, Obligors shall be required to pay for one additional counsel (and an additional local counsel in each applicable jurisdiction) for the parties affected by such conflict, taken as a whole.

FATCA: Sections 1471 through 1474 of the Code (including any amended or successor version if substantively comparable and not materially more onerous to comply with), and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

Federal Funds Rate: (a) the weighted average of interest rates on overnight federal funds transactions with members of the Federal Reserve System on the applicable day (or the preceding Business Day, if the applicable day is not a Business Day), as published by the Federal Reserve Bank of New York on the next Business Day; or (b) if no such rate is published on the next Business Day, the average rate (rounded up to the nearest 1/8 of 1%) of the quotations for the day for such transactions received by Agent from three (3) federal funds brokers of recognized standing selected by it on the applicable day on such transactions, as determined by Agent; provided, that in no event shall such rate be less than zero.

Fiscal Quarter: each period of three months, commencing on the first day of a Fiscal Year.

Fiscal Year: the fiscal year of Borrowers and Subsidiaries for accounting and tax purposes, ending on December 31 of each year.

Fixed Charges: the sum of interest expense (other than payment-in-kind) and principal payments, if any, made on Borrowed Money (other than payments of Revolver Loans that do not result in a permanent reduction in the Commitments).

FLSA: the Fair Labor Standards Act of 1938. Foreign Lender: any Lender that is not a U.S. Person.

Foreign Plan: any employee benefit plan or arrangement (a) maintained or contributed to by any Obligor or Subsidiary that is not subject to the laws of the United States; or (b) mandated by a government other than the United States for employees of any Obligor or Subsidiary.

Foreign Subsidiary: a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

Fronting Exposure: a Defaulting Lender's interest in LC Obligations and Protective Advances, except to the extent Cash Collateralized by the Defaulting Lender or allocated to other Lenders hereunder.

Full Payment: with respect to any Obligations, (a) the full cash payment thereof, including any interest, fees and other charges accruing during an Insolvency Proceeding (whether or not allowed in the proceeding); (b) if such Obligations are LC Obligations or inchoate or contingent in nature, Cash Collateralization thereof (or delivery of a standby letter of credit acceptable to Agent in its discretion, in the amount of required Cash Collateral); and (c) a release of any Claims of Obligors against Agent and Lenders under the Loan Documents arising on or before the payment date. The Revolver Loans shall not be deemed to have been paid in full unless the Commitments have terminated.

GAAP: generally accepted accounting principles in effect in the United States from time to time.

Governmental Approvals: all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and required reports to, all Governmental Authorities.

Governmental Authority: any federal, state, local, foreign or other agency, authority, body, commission, court, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority (including any supra-national bodies such as the European Union or European Central Bank).

Guarantor Payment: as defined in Section 5.10.3(b).

Guarantors: CAREF and each other Person that guarantees payment or performance of Obligations, and with respect to any Hedging Obligations owing by any Obligor or any of its Subsidiaries and any Swap Obligation of a Specified Obligor (determined after giving effect to the "keepwell" provision in any Guaranty), the Borrowers.

Guaranty: the CAREF Guaranty and each other guaranty agreement executed by a Guarantor in favor of Agent.

Hedging Agreements: as defined in the definition of "Hedging Obligations" in this Section 1.1.

Hedging Obligations: of any Person, any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, commodity prices, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants or any similar derivative transactions ("Hedging Agreements"), and (ii) any and all cancellations, buy-backs, reversals, terminations or assignments of any of the foregoing; provided that Hedging Obligations shall not include Excluded Swap Obligations.

Indemnified Taxes: (a) Taxes, other than Excluded Taxes, imposed on or relating to any payment of an Obligation; and (b) to the extent not otherwise described in clause (a), Other Taxes.

Indemnitees: Agent, Lenders, other Secured Parties, and their officers, directors, employees, Affiliates, agents, representatives and advisors.

Insolvency Proceeding: any case or proceeding commenced by or against a Person under any state, federal or foreign Law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code, or any other insolvency, debtor relief or debt adjustment Law; (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; or (c) an assignment or trust mortgage for the benefit of creditors.

Intellectual Property: all intellectual and similar Property of a Person, including inventions, designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, applications, registrations and franchises; all licenses or other rights to use any of the foregoing; and all books and records relating to the foregoing.

Investment: (a) a transaction or series of transactions resulting in (i) acquisition of a business division or substantially all assets of a Person; (ii) record or beneficial ownership of 50% or more of the Equity Interests of a Person; or (iii) merger, consolidation or combination of a Borrower or Subsidiary with another Person; (b) an acquisition of record or beneficial ownership of any Equity Interests of a Person; or (c) a loan (including, without limitation, an intercompany loan), advance or capital contribution to or other investment in a Person.

IRS: the United States Internal Revenue Service.

Issuing Bank: [***] Bank (including any Lending Office of [***] Bank), or any replacement issuer appointed pursuant to Section 2.3.4.

Laws: any and all federal, state, provincial, territorial, local and foreign statutes, laws, judicial decisions, regulations, guidances, guidelines, ordinances, rules, judgments, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, governmental agreements and governmental restrictions, whether now or hereafter in effect.

LC Application: an application by Borrower Agent to Issuing Bank for issuance of a Letter of Credit, in form and substance satisfactory to Issuing Bank and Agent.

LC Conditions: the following conditions necessary for issuance of a Letter of Credit:
(a) each of the conditions set forth in Section 6 is satisfied as determined by Agent and Issuing Bank; (b) after giving effect to such issuance, total LC Obligations do not exceed the Letter of Credit Subline, no Overadvance exists and Revolver Usage does not exceed the Borrowing Base;
(c) the Letter of Credit and payments thereunder are denominated in Dollars; and (d) the purpose and form of the proposed Letter of Credit are satisfactory to Agent and Issuing Bank in their discretion.

LC Documents: all documents, instruments and agreements (including LC Requests and LC Applications) delivered by Borrowers or any other Person to Issuing Bank or Agent in connection with any Letter of Credit.

LC Obligations: the sum of (a) all amounts owing by Borrowers for drawings under Letters of Credit; and (b) the aggregate Stated Amount of all outstanding Letters of Credit.

Lenders: lenders party to this Agreement (including Agent in its capacity as a provider of Protective Advances) and any Person who hereafter becomes a "Lender" pursuant to an Assignment, including any Lending Office of the foregoing.

Lender Hedging Agreement: any Hedging Agreement entered into between any Borrower or any Subsidiary thereof and an Eligible Counterparty.

Lending Office: the office (including any domestic or foreign Affiliate or branch) designated as such by Agent, a Lender or Issuing Bank by notice to Borrower Agent and, if applicable, Agent.

Letter of Credit: any standby or documentary letter of credit, foreign guaranty, documentary bankers' acceptance or similar instrument issued by Issuing Bank for the account or benefit of a Borrower or Affiliate of a Borrower.

Letter of Credit Subline: $250,000.

Leverage Ratio: the ratio, determined as of the end of any calendar month, Fiscal Quarter or Fiscal Year, of (a) Borrowed Money of Borrowers and Subsidiaries as of the last day of such fiscal period to (b) Borrowers' consolidated members' equity (to the extent such equity was funded with cash or loans contributed for equity).

License: any license or agreement under which an Obligor is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

Licensor: any Person from whom an Obligor obtains the right to use any Intellectual Property.

Lien: a Person's interest in Property securing an obligation owed to, or a claim by, another Person, including any lien, security interest, pledge, hypothecation, assignment, trust, reservation, encroachment, easement, right-of-way, covenant, condition, restriction, lease, or other title exception or encumbrance.

Lien Waiver: an agreement, in form and substance satisfactory to Agent, by which (a) for any material Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Agent to enter upon the premises and remove the Collateral or to use the premises to store or dispose of the Collateral; (b) for any Collateral held by a warehouseman, processor, shipper, customs broker or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any Documents in its possession relating to the Collateral as agent for Agent, and agrees to deliver the Collateral to Agent upon request; (c) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to Agent upon request; and (d) for any Collateral subject to a Licensor's Intellectual Property rights, the Licensor grants to Agent the right, vis-à-vis such Licensor, to enforce Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable License.

Loan: a Revolver Loan.

Loan Documents: this Agreement, CAREF Guaranty, Springing Pledge, Agent Fee Letter, Observation Agent Fee Letter, any Lender Hedging Agreements, Other Agreements and Security Documents.

Loan Year: each 12 month period commencing on December 16, 2021 and on each anniversary thereof.

Margin Stock: as defined in Regulation U of the Board of Governors.

Material Adverse Effect: the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could reasonably be expected to have a material adverse effect on the business, operations, Properties, prospects or condition (financial or otherwise) of Borrowers, taken as a whole, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of Agent's Liens on any Collateral; (b) impairs in any material respect the ability of an Obligor to perform its obligations under the Loan Documents, including repayment of any Obligations; or (c) otherwise impairs in any material respect the ability of Agent or any Lender to enforce or collect any Obligations or to realize upon any Collateral.

Material Amendment: any amendment or other modification to the documents governing an Advance, in each case, to the extent materially adverse to the applicable Borrower.

Material Contract: any agreement or arrangement to which a Borrower or Subsidiary is party (other than the Loan Documents) (a) that is deemed to be a material contract under any securities Law applicable to such Person, including the Securities Act of 1933; (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (c) that relates to Subordinated Debt, or to any Debt in an aggregate amount of $150,000 or more.

Modification: shall have the meaning ascribed thereto in Section 13.1.1. Moody's: Moody's Investors Service, Inc. or any successor acceptable to Agent.

Multiemployer Plan: any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Obligor or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

Net Proceeds: with respect to any disposition of Property, proceeds (including, when received, any deferred or escrowed payments) received by a Borrower or Subsidiary in cash from such disposition, net of (a) reasonable and customary costs and expenses actually incurred in connection therewith, including legal fees and sales commissions; (b) amounts applied to repayment of Debt secured by a Permitted Lien senior to Agent's Liens on Collateral sold;
(c) transfer or similar taxes; and (d) reserves for indemnities, until such reserves are no longer needed.

Notice of Borrowing: a Notice of Borrowing to be provided by Borrower Agent to request a Borrowing of Revolver Loans, in form satisfactory to Agent.

Obligations: all (a) principal of and premium, if any, on the Loans; (b) LC Obligations and other obligations of Obligors with respect to Letters of Credit; (c) interest, expenses, fees, indemnification obligations, Extraordinary Expenses and other amounts payable by Obligors under Loan Documents; (d) Bank Product Debt; (e) any and all obligations under Lender Hedging Agreements and (f) other Debts, obligations and liabilities of any kind owing by any Obligor pursuant to the Loan Documents, whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any Insolvency Proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several; provided that "Obligations" shall not include Excluded Swap Obligations.

Obligor: each Borrower, Guarantor, or other Person that is liable for payment of any Obligations or that has granted a Lien in favor of Agent on its assets to secure any Obligations.

Observation Agent: [***] Bank, in its capacity as Observation Agent hereunder, at all times, subject to Sections 11.12 and 11.14.

Observation Agent Fee Letter: individually and collectively, (i) that certain amended and restated letter agreement, dated as of November 7, 2022, among [***] Bank, CAL and certain other parties thereto, (ii) that certain letter agreement, dated as of December 16, 2021, among certain Affiliates of [***] Bank, CAL and certain other parties thereto and (iii) that certain letter agreement, dated as of May 11, 2022, among [***] Bank, CAL and certain other parties thereto.

OFAC: Office of Foreign Assets Control of the U.S. Treasury Department.

Ordinary Course of Business: the ordinary course of business of any Borrower or Subsidiary, undertaken in good faith and in accordance with applicable Laws and Borrower's Loan Policy.

Organic Documents: with respect to any Person, its charter, certificate or articles of incorporation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

OSHA: the Occupational Safety and Hazard Act of 1970.

Other Agreement: each LC Document, Lien Waiver, Borrowing Base Certificate, Compliance Certificate, financial statement or report delivered hereunder, or other document, instrument or agreement (other than this Agreement or a Security Document) now or hereafter delivered by an Obligor or other Person to Agent or a Lender in connection with any transactions relating hereto.

Other Connection Taxes: Taxes imposed on a Recipient due to a present or former connection between it and the taxing jurisdiction (other than connections arising from the Recipient having executed, delivered, become party to, performed obligations or received payments under, received or perfected a Lien or engaged in any other transaction pursuant to, enforced, or sold or assigned an interest in, any Loan or Loan Document).

Other Taxes: all present or future stamp, court, documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a Lien under, or otherwise with respect to, any Loan Document, except Other Connection Taxes imposed with respect to an assignment.

Overadvance: as defined in Section 2.1.3(b).

Participant: as defined in Section 12.2.1.

Participant Register: as defined in Section 12.2.3.

PATRIOT Act: the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

Payment Item: each check, draft or other item of payment payable to a Borrower, including those constituting proceeds of any Collateral.

PBGC: the Pension Benefit Guaranty Corporation.

Pension Plan: any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Obligor or ERISA Affiliate or to which the Obligor or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

Permitted Discretion: a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured, asset-based lender).

Permitted Lien: as defined in Section 9.2.2.

Person: any individual, corporation, limited liability company, partnership, joint venture, association, trust, unincorporated organization, Governmental Authority or other entity.

Plan: any employee benefit plan (as such term is defined in Section 3(3) of ERISA) established by an Obligor or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, an ERISA Affiliate.

Platform: as defined in Section 13.4.3.

Prime Rate: the rate of interest per annum last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release
H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by Agent) or any similar release by the Federal Reserve Board (as determined by Agent). Any change in the Prime Rate shall take effect at the opening of business on the day such change is publicly announced or quoted as being effective. In no event shall the Prime Rate be less than zero.

Pro Rata: with respect to any Lender, a percentage (rounded to the ninth decimal place) determined (a) by dividing the amount of such Lender's Commitment by the aggregate outstanding Commitments; or (b) following termination of the Commitments, by dividing the amount of such Lender's Loans and LC Obligations by the aggregate outstanding Loans and LC

Obligations or, if all Loans and LC Obligations have been paid in full and/or Cash Collateralized, by dividing such Lender's and its Affiliates' remaining Obligations by the aggregate remaining Obligations.

Properly Contested: with respect to any obligation of an Obligor, (a) the obligation is subject to a bona fide dispute regarding amount or the Obligor's liability to pay; (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; (c) appropriate reserves have been established in accordance with GAAP;
(d) non-payment could not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Obligor; (e) no Lien is imposed on assets of the Obligor, unless bonded and stayed to the satisfaction of Agent; and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

Property: any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchase Money Debt: (a) Debt (other than the Obligations) for payment of any of the purchase price of fixed assets; (b) Debt (other than the Obligations) incurred within 10 days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof; and (c) any renewals, extensions or refinancings (but not increases) thereof.

Purchase Money Lien: a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Debt and constituting a Capital Lease or a purchase money security interest under the UCC.

Qualified ECP Guarantor: in respect of any Swap Obligation, each Obligor with total assets exceeding $10,000,000 at the time the relevant guarantee or grant of the relevant security interest becomes effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another Person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

Real Estate: all right, title and interest (whether as owner, lessor or lessee) in any real Property or any buildings, structures, parking areas or other improvements thereon.

REIT: a privately held or publicly traded Real Estate Investment Trust (as defined in the Code).

Recipient: Agent, Issuing Bank, any Lender or any other recipient of a payment to be made by an Obligor under a Loan Document or on account of an Obligation.

Reimbursement Date: as defined in Section 2.3.2(a).

Rent and Charges Reserve: the aggregate of (a) all past due rent and other amounts owing by an Obligor to any landlord, warehouseman, processor, repairman, mechanic, shipper, freight forwarder, broker or other Person who possesses any Collateral or could assert a Lien on any

Collateral; and (b) a reserve at least equal to three months' rent and other charges that could be payable to any such Person, unless it has executed a Lien Waiver.

Reports: as defined in Section 11.2.3.

Reportable Event: any of the events set forth in Section 4043(c) of ERISA, other than events for which the thirty (30) day notice period has been waived.

Required Lenders: two (2) or more unaffiliated Lenders holding more than 50% of (a) the aggregate outstanding Commitments; or (b) after termination of the Commitments, the aggregate outstanding Loans and LC Obligations or, upon Full Payment of all Loans and LC Obligations, the aggregate remaining Obligations; provided, that Commitments, Loans and other Obligations held by a Defaulting Lender and its Affiliates shall be disregarded in making such calculation, but any related Fronting Exposure shall be deemed held as a Loan or LC Obligation by the Lender (including in its capacity as Issuing Bank) that funded the applicable Loan or issued the applicable Letter of Credit.

Resolution Authority: an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

Restatement Date: as defined in Section 6.1.

Restatement Date Commitment Increase: the portion of [***] Bank's Commitment constituting the $17,500,000 increase to its Commitment under the Amended and Restated Loan and Security Agreement dated as of December 16, 2021 made pursuant to the Second Amended and Restated Loan Agreement dated as of May 11, 2022, as such Commitment may be reduced from time to time in accordance with the terms hereof.

Restatement Date Participants: any Participants with participating interests in the Restatement Date Commitment Increase as May 11, 2022.

Restricted Investment: any Investment by a Borrower or Subsidiary, other than (a) Cash Equivalents that are subject to Agent's Lien and control, pursuant to documentation in form and substance satisfactory to Agent; and (b) so long as no Event of Default exists or would result therefrom, Advances.

Restrictive Agreement: an agreement (other than a Loan Document) that conditions or restricts the right of any Borrower, Subsidiary or other Obligor to incur or repay Borrowed Money, to grant Liens on any assets, to declare or make Distributions, to modify, extend or renew any agreement evidencing Borrowed Money, or to repay any intercompany Debt.

Revolver Loan: a loan made pursuant to Section 2.1.

Revolver Termination Date: June 30, 2026, subject to extension pursuant to the terms and conditions set forth in Section 2.5.

Revolver Usage: the aggregate amount of outstanding Revolver Loans, plus the aggregate Stated Amount of outstanding Letters of Credit.

Royalties: all royalties, fees, expense reimbursement and other amounts payable by a Borrower under a License.

S&P: Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and any successors thereto.

Sanction: any international economic sanction administered or enforced by the United States Government (including OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority.

Secured Parties: Agent, Issuing Bank, Lenders, providers of Bank Products and each counterparty to a Lender Hedging Agreement (including a Person who was a Lender at the time such Hedging Agreement was entered into).

Security Documents: the Deposit Account Control Agreements, and all other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) any Obligations.

Senior Officer: the chairman of the board, president, chief executive officer or chief financial officer of a Borrower or, if the context requires, an Obligor.

Solvent: as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities); (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured; (c) is able to pay all of its debts as they mature; (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage; (e) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code; and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

Specified Obligor": any Obligor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to the "keepwell" provision in the Guaranty).

Sponsor Group: means, collectively, Chicago Atlantic Group and CAREF.

Springing Pledge: the Springing Pledge Agreement dated as of December 16, 2021 made by CAREF in favor of Agent, for the benefit of the Lenders, and acknowledged by CAL, as amended, restated, supplemented and otherwise modified from time to time.

Stated Amount: the stated amount of a Letter of Credit, including any automatic increase provided by the terms of the Letter of Credit or related LC Documents, whether or not then effective.

Subordinated Debt: Debt incurred by a Borrower that is expressly subordinate and junior in right of payment to Full Payment of all Obligations, and is on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to Agent.

Subsidiary: any entity at least 50% of whose voting securities or Equity Interests is owned by a Borrower or combination of Borrowers (including indirect ownership through other entities in which a Borrower directly or indirectly owns 50% of the voting securities or Equity Interests).

Swap Obligation: with respect to any Obligor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Taxes: all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

UCC: the Uniform Commercial Code as in effect in the State of New York or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code of such jurisdiction.

UK Financial Institution: any BRRD Undertaking (as defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any Person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

UK Resolution Authority: the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

Unfunded Pension Liability: the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to the Code, ERISA or the Pension Protection Act of 2006 for the applicable plan year.

Unused Line Fee Rate: a per annum rate equal to one quarter of one percent (0.25%).

U.S. Person: "United States Person" as defined in Section 7701(a)(30) of the Code.

Write-Down and Conversion Powers: (a) the write-down and conversion powers of the applicable EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which powers are described in the EU Bail-In Legislation Schedule; or (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that Person or any other Person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.2.Accounting Terms. Under the Loan Documents (except as otherwise specified herein), all accounting terms shall be interpreted, all accounting determinations shall be made, and all financial statements shall be prepared, in accordance with GAAP applied on a basis consistent with the most recent audited financial statements of Borrowers delivered to Agent before the Restatement Date and using the same inventory valuation method as used in such financial statements, except for any change required or permitted by GAAP if Borrowers' certified public accountants concur in such change, the change is disclosed to Agent, and all relevant provisions of the Loan Documents are amended in a manner satisfactory to Required Lenders to take into account the effects of the change. Notwithstanding anything to the contrary contained herein or any other Loan Document, any reference to any term, covenant or financial statement being in conformity with GAAP shall mean in conformity with GAAP on a modified basis consistent with industry standards.

1.3.Uniform Commercial Code. As used herein, the following terms are defined in accordance with the UCC in effect in the State of New York from time to time: "Account," "Account Debtor," "Chattel Paper," "Commercial Tort Claim," "Deposit Account," "Document," "Electronic Chattel Paper," "Equipment," "Fixtures," "General Intangibles," "Goods," "Instrument," "Inventory," "Investment Property," "Letter-of-Credit Right" and "Supporting Obligation."

1.4.Certain Matters of Construction. The terms "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, "from" means "from and including," and "to" and "until" each mean "to but excluding." The terms "including" and "include" shall mean "including, without limitation" and, for purposes of each Loan Document, the parties agree that the rule of *ejusdem generis* shall not be applicable to limit any provision. Section titles appear as a matter of convenience only and shall not affect the interpretation of any Loan Document. All references to (a) laws include all related regulations, interpretations, supplements, amendments and successor provisions; (b) any document, instrument or agreement include any amendments, waivers and other modifications, extensions or renewals (to the extent permitted by the Loan Documents); (c) any section means, unless the context otherwise requires, a section of this Agreement; (d) any exhibits or schedules mean, unless the context otherwise requires, exhibits and schedules attached hereto, which are hereby incorporated by reference;
(e) any Person include successors and assigns; (f) time of day means time of day in Chicago,

Illinois; or (g) discretion of Agent, Issuing Bank or any Lender means the sole and absolute discretion of such Person. All references to Value, Borrowing Base components, Loans, Letters of Credit, Obligations and other amounts herein shall be denominated in Dollars, unless expressly provided otherwise, and all determinations (including calculations of Borrowing Base and financial covenants) made from time to time under the Loan Documents shall be made in light of the circumstances existing at such time. Borrowing Base calculations shall be consistent with historical methods of valuation and calculation, and otherwise satisfactory to Agent (and not necessarily calculated in accordance with GAAP). Borrowers shall have the burden of establishing any alleged negligence, misconduct or lack of good faith by Agent, Issuing Bank or any Lender under any Loan Documents. No provision of any Loan Documents shall be construed against any party by reason of such party having, or being deemed to have, drafted the provision. Reference to a Borrower's "knowledge" or similar concept means actual knowledge of a Senior Officer, or knowledge that a Senior Officer would have obtained if he or she had engaged in good faith and diligent performance of his or her duties, including reasonably specific inquiries of employees or agents and a good faith attempt to ascertain the matter.

SECTION 2. CREDIT FACILITIES

2.1. Commitment.

2.1.1. Revolver Loans. Each Lender agrees, severally on a Pro Rata basis up to its Commitment, on the terms set forth herein, to make Revolver Loans to Borrowers from time to time through the Commitment Termination Date. The Revolver Loans may be repaid and reborrowed as provided herein. In no event shall Lenders have any obligation to honor a request for a Revolver Loan if Revolver Usage at such time plus the requested Loan would exceed the Borrowing Base.

2.1.2. Use of Proceeds. The proceeds of Revolver Loans shall be used by Borrowers solely (a) to pay fees and transaction expenses associated with the closing of this credit facility; (b) to pay Obligations in accordance with this Agreement; and (c) for other lawful corporate purposes of Borrowers, including working capital. Borrowers shall not, directly or indirectly, use any Letter of Credit or the proceeds of any Loan, nor use, lend, contribute or otherwise make available any Letter of Credit or proceeds of any Loan to any Subsidiary, joint venture partner or other Person, (i) to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of issuance of the Letter of Credit or funding of the Loan, is the subject of any Sanction; or (ii) in any manner that would result in a violation of a Sanction by any Person (including any Secured Party or other individual or entity participating in any transaction); or (iii) for any purpose that would breach the U.S. Foreign Corrupt Practices Act of 1977 or similar Law in any jurisdiction.

2.1.3. Termination of Commitments.

(a) The Commitments shall terminate on the Revolver Termination Date, unless sooner terminated in accordance with this Agreement. Upon at least five (5) Business Days' prior written notice to Agent, Borrowers may, at their option, terminate the Commitments and this credit facility. Any notice of termination given by Borrowers shall be irrevocable. On the Commitment Termination Date, Borrowers shall make Full Payment of all Obligations.

(b) Overadvances. If Revolver Usage exceeds the Borrowing Base ("Overadvance") at any time, the excess amount shall immediately be payable by Borrowers, but all such Revolver Loans shall nevertheless constitute Obligations secured by the Collateral and entitled to all benefits of the Loan Documents. Any funding or sufferance of an Overadvance shall not constitute a waiver of the Event of Default caused thereby.

2.2.Protective Advances. Agent shall be authorized, in its discretion, at any time that any condition in Section 6 is not satisfied, to make Revolver Loans ("Protective Advances"), if a Default or an Event of Default has occurred and is continuing up to an aggregate amount of
$2,000,000 outstanding at any time, if Agent deems such Loans reasonably necessary to preserve or protect Collateral, or to enhance the collectability or repayment of Obligations, as long as such Loans do not cause Revolver Usage to exceed the aggregate Commitments. Lenders shall participate on a Pro Rata basis in Protective Advances outstanding from time to time. Required Lenders may at any time revoke Agent's authority to make further Protective Advances under clause (a) by written notice to Agent. Absent such revocation, Agent's determination that funding of a Protective Advance is reasonably necessary shall be conclusive. No funding of a Protective Advance shall constitute a waiver by Agent or Lenders of any Event of Default relating thereto. No Obligor shall be a beneficiary of this Section nor authorized to enforce any of its terms.

2.3. Letter of Credit Facility.

2.3.1.Issuance of Letters of Credit. Issuing Bank agrees to issue Letters of Credit from time to time until thirty (30) days prior to the Revolver Termination Date (or until the Commitment Termination Date, if earlier), on the terms set forth herein, including the following:

(a) Each Borrower acknowledges that Issuing Bank's willingness to issue any Letter of Credit is conditioned upon its receipt of an LC Application with respect to the requested Letter of Credit, as well as such other instruments and agreements as Issuing Bank may customarily require for issuance of a letter of credit of similar type and amount. Issuing Bank shall have no obligation to issue any Letter of Credit unless (i) it receives a LC Application at least three (3) Business Days prior to the requested date of issuance; (ii) each LC Condition is satisfied; and (iii) if a Defaulting Lender exists, such Lender or Borrowers have entered into arrangements satisfactory to Agent and Issuing Bank to eliminate any Fronting Exposure associated with such Lender. If, in sufficient time to act, Issuing Bank receives written notice from Agent or Required Lenders that a LC Condition has not been satisfied, Issuing Bank shall not issue the requested Letter of Credit. Prior to receipt of any such notice, Issuing Bank shall not be deemed to have knowledge of any failure of LC Conditions.

(b) Letters of Credit may be requested by a Borrower to support obligations incurred in the Ordinary Course of Business. Increase, renewal or extension of a Letter of Credit shall be treated as issuance of a new Letter of Credit, except that Issuing Bank may require a new LC Application in its discretion.

(c) Borrowers assume all risks of the acts, omissions or misuses of any Letter of Credit by the beneficiary. In connection with issuance of any Letter of Credit, none of Agent, Issuing Bank or Lenders shall be responsible for the existence, character, quality, quantity, condition, packing, value or delivery of any goods purported to be represented by any Documents; any differences or variation in the character, quality, quantity, condition, packing, value or delivery of any goods from that expressed in any Documents; the form, validity, sufficiency, accuracy, genuineness or legal effect of any Documents or of any endorsements thereon; the time, place, manner or order in which shipment of goods is made; partial or incomplete shipment of, or failure to ship, any goods referred to in a Letter of Credit or Documents; any deviation from instructions, delay, default or fraud by any shipper or other Person in connection with any goods, shipment or delivery; any breach of contract between a shipper or vendor and a Borrower; errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, telecopy, e-mail, telephone or otherwise; errors in interpretation of technical terms; the misapplication by a beneficiary of any Letter of Credit or the proceeds thereof; or any consequences arising from causes beyond the control of Issuing Bank, Agent or any Lender, including any act or omission of a Governmental Authority. No Indemnitee shall be liable to any Obligor or other Person for any action taken or omitted to be taken in connection with any Letter of Credit or LC Documents except as a result of its gross negligence or willful misconduct. Issuing Bank shall be fully subrogated to the rights and remedies of each beneficiary whose claims against Borrowers are discharged with proceeds of any Letter of Credit.

(d) In connection with its administration of and enforcement of rights or remedies under any Letters of Credit or LC Documents, Issuing Bank shall be entitled to act, and shall be fully protected in acting, upon any certification, documentation or communication in whatever form believed by Issuing Bank, in good faith, to be genuine and correct and to have been signed, sent or made by a proper Person. Issuing Bank may consult with and employ legal counsel, accountants and other experts to advise it concerning its obligations, rights and remedies, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by such experts. Issuing Bank may employ agents and attorneys-in-fact in connection with any matter relating to Letters of Credit or LC Documents, and shall not be liable for the negligence or misconduct of agents and attorneys-in-fact selected with reasonable care.

2.3.2. Reimbursement; Participations.

(a) If Issuing Bank honors any request for payment under a Letter of Credit, Borrowers shall pay to Issuing Bank, on the same day ("Reimbursement Date"), the amount paid by Issuing Bank under such Letter of Credit, together with interest at the interest rate for Revolver Loans from the Reimbursement Date until payment by Borrowers. The obligation of Borrowers to reimburse Issuing Bank for any payment made under a Letter of Credit shall be absolute, unconditional, irrevocable, and joint and several, and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or the existence of any claim, setoff, defense or other right that Borrowers may have at any time against the beneficiary. Whether or not Borrower Agent submits a Notice of

Borrowing, Borrowers shall be deemed to have requested a Borrowing of Revolver Loans in an amount necessary to pay all amounts due Issuing Bank on any Reimbursement Date and each Lender shall fund its Pro Rata share of such Borrowing whether or not the Commitments have terminated, an Overadvance exists or is created thereby, or the conditions in Section 6 are satisfied.

(b) Each Lender hereby irrevocably and unconditionally purchases from Issuing Bank, without recourse or warranty, an undivided Pro Rata participation in all LC Obligations outstanding from time to time. Issuing Bank is issuing Letters of Credit in reliance upon this participation. If Borrowers do not make a payment to Issuing Bank when due hereunder, Agent shall promptly notify Lenders and each Lender shall within one (1) Business Day after such notice pay to Agent, for the benefit of Issuing Bank, the Lender's Pro Rata share of such payment. Upon request by a Lender, Issuing Bank shall provide copies of Letters of Credit and LC Documents in its possession.

(c) The obligation of each Lender to make payments to Agent for the account of Issuing Bank in connection with Issuing Bank's payment under a Letter of Credit shall be absolute, unconditional and irrevocable, not subject to any counterclaim, setoff, qualification or exception whatsoever, and shall be made as provided in this Agreement under all circumstances, irrespective of any lack of validity or unenforceability of any Loan Documents; a draft, certificate or other document presented under a Letter of Credit being determined to be forged, fraudulent, noncompliant, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; waiver by Issuing Bank of a requirement that exists for its protection (and not a Borrower's protection) or that does not materially prejudice a Borrower; honor of an electronic demand for payment even if a draft is required; payment of an item presented after a Letter of Credit's expiration date if authorized by the UCC or applicable customs or practices; or any setoff or defense that an Obligor may have with respect to any Obligations. Issuing Bank does not assume responsibility for any failure or delay in performance or any breach by any Borrower or other Person of any obligations under any LC Documents. Issuing Bank does not make any express or implied warranty, representation or guaranty to Lenders with respect to any Letter of Credit, Collateral, LC Document or Obligor. Issuing Bank shall not be responsible to any Lender for any recitals, statements, information, representations or warranties contained in, or for the execution, validity, genuineness, effectiveness or enforceability of, any LC Documents; the validity, genuineness, enforceability, collectability, value or sufficiency of any Collateral or perfection of any Lien therein; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor.

(d) No Indemnitee shall be liable to any Obligor, Lender or other Person for any action taken or omitted to be taken in connection with any Letter of Credit or LC Document except as a result of such Indemnitee's gross negligence or willful misconduct. Issuing Bank may refrain from taking any action with respect to a Letter of Credit until it receives written instructions (and in its discretion, appropriate assurances) from the Lenders.

2.3.3. Cash Collateral. At Agent's or Issuing Bank's request, Borrowers shall Cash Collateralize (a) the Fronting Exposure of any Defaulting Lender; and (b) all outstanding Letters of Credit if an Event of Default exists, the Commitment Termination Date is scheduled to occur within twenty (20) Business Days or the Commitment Termination Date occurs. If Borrowers fail to provide any Cash Collateral as required hereunder, Lenders may (and shall upon direction of Agent) advance their Pro Rata share, as Loans, the amount of Cash Collateral required (whether or not the Commitments have terminated, an Overadvance exists or the conditions in Section 6 are satisfied).

2.3.4. Resignation of Issuing Bank. Issuing Bank may resign at any time upon notice to Agent and Borrowers, and any resignation of Agent hereunder shall automatically constitute its concurrent resignation as Issuing Bank. From the effective date of its resignation, Issuing Bank shall have no obligation to issue, amend, renew, extend or otherwise modify any Letter of Credit, but shall otherwise have all rights and obligations of an Issuing Bank hereunder relating to any Letter of Credit issued by it prior to such date. A replacement Issuing Bank may be appointed by written agreement among Agent, Borrower Agent and the new Issuing Bank; provided that any such successor Issuing Bank shall be an Eligible Assignee at the time of appointment.

2.4. Notes. The Loans shall, in any Lender's Permitted Discretion, be evidenced by one or more promissory notes in form and substance satisfactory to such Lender. However, if such Loans are not so evidenced, such Loans may be evidenced solely by entries upon the books and records maintained by Agent.

2.5. Extension of the Revolver Termination Date. Borrowers shall have the option to extend the initial Revolver Termination Date (the "Extension Option") one (1) time for a period of one (1) year (the "Extension Term") upon satisfaction of each of the following terms and conditions:

(a) no Event of Default shall have occurred and be continuing at the time the Extension Option is exercised and on the date that the Extension Term commences;

(b) Borrower shall notify Agent and the Lenders of its irrevocable election to extend the Revolver Termination Date as aforesaid not earlier than three hundred sixty-five (365) days, and no later than thirty (30) days, prior to the Revolver Termination Date;

(c) Borrowers shall have delivered to Agent (i) together with its notice pursuant to Section 2.5(b) and (ii) on the date of the commencement of the Extension Option, an officer's certificate in form acceptable to Agent certifying that each of the representations and warranties of Borrowers contained in the Loan Documents is true, complete and correct in all material respects as of the date of such officer's certificate to the extent such representations and warranties are not matters which by their nature can no longer be true and correct as a result of the passage of time or expressly relate to a specified earlier date; and

(d) Borrowers shall have paid to Agent all reasonable, out-of-pocket and documented costs actually incurred by Agent in connection with the exercise of the Extension Option (including reasonable, out-of-pocket and documented attorneys' fees).

2.6.Increase in Commitments. Borrowers may, at any time prior to the expiration or termination of the Commitments, request an increase in Commitments from time to time upon not less than 45 days' prior notice delivered to the Agent, as long as (a) each requested increase is in a minimum amount of $5,000,000.00 and is offered on terms identical to the existing Commitments (including, without limitation, with respect to pricing, fees and maturity), except that the Borrowers may pay a closing fee in connection with such increase, such fee to be specified by Borrowers, but in no event to exceed 50 basis points of the increased Commitments, (b) total increases under this Section after the date hereof do not exceed $50,000,000.00 in the aggregate for all such increases, and no more than four (4) increases are made during the term of this Agreement and (c) no Default or Event of Default has occurred and is continued or would be caused by such increase or any substantially concurrent borrowing thereunder. Agent shall promptly notify Lenders in writing of the requested increase and, within ten (10) Business Days thereafter, each Lender shall notify Agent if and to what extent such Lender commits to increase its Commitment. Any Lender not responding within such period shall be deemed to have declined an increase. No Lender shall be obligated to provide any increased Commitments unless it so agrees; provided, the Borrower shall first request such increase from each existing Lender in accordance with such Lender's pro rata share of the existing Commitment (as of the date of such request) prior to approaching any other Person, and each such Lender may elect or decline, in its sole discretion, to provide such increase. If existing Lenders fail to commit to the full requested increase as contemplated above, Eligible Assignees may issue additional Commitments for any unallocated portion of the requested increase and shall become Lenders hereunder in accordance with the terms hereof. Total Commitments shall be increased by the requested amount (or such lesser amount committed by Lenders and Eligible Assignees) on a date agreed upon by Agent and Borrower Agent, provided the conditions set forth in Section 6.2 are satisfied at such time. Agent, Borrowers, and the new and existing Lenders shall execute and deliver such documents and agreements as Agent reasonably deems appropriate to evidence the increase in and allocations of Commitments in accordance with the terms above. On the effective date of an increase, the Revolver Usage and other exposures under the Commitments shall be reallocated among Lenders, and settled by Agent as necessary, in accordance with Lenders' adjusted shares of Commitments.

SECTION 3. INTEREST, FEES AND CHARGES

3.1. Rates and Payment of Interest.

(a) The Obligations shall bear interest at a per annum rate equal to the greater of (x) Prime Rate plus the Applicable Margin and (y) three and one-quarter percent (3.25%).

(b) During an Insolvency Proceeding with respect to any Borrower, or during any other Event of Default if Agent or Required Lenders in their discretion so elect, Obligations shall bear interest at the Default Rate (whether before or after any judgment). Each Borrower acknowledges that the cost and expense to Agent and Lenders due to an Event of Default are difficult to ascertain and that the Default Rate is fair and reasonable compensation for this.

(c) Interest shall accrue from the date a Loan is advanced or Obligation is incurred or payable, until paid in full by Borrowers. Interest accrued on the Loans shall be due and payable in arrears, (i) on the first day of each month; (ii) on the date of prepayment of the Loans in full; and (iii) on the Commitment Termination Date. Interest accrued on any other Obligations shall be due and payable as provided in the Loan Documents and, if no payment date is specified, shall be due and payable **on demand**. Notwithstanding the foregoing, interest accrued at the Default Rate shall be due and payable **on demand**.

3.2.Fees. Borrowers jointly and severally shall pay to Agent or the relevant Lender, as applicable, the fees set forth on Exhibit E.

3.3.Computation of Interest, Fees, Yield Protection. All interest, as well as fees and other charges calculated on a per annum basis, shall be computed for the actual days elapsed, based on a year of three hundred sixty (360) days. Each determination by Agent of any interest, fees or interest rate hereunder shall be final, conclusive and binding for all purposes, absent manifest error. All fees shall be fully earned when due and shall not be subject to rebate, refund or proration. All fees payable under Section 3.2 are compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money. A certificate as to amounts payable by Borrowers under Section 3.4, 3.6, 3.7, 3.9 or 5.9, submitted to Borrower Agent by Agent or the affected Lender shall be final, conclusive and binding for all purposes, absent manifest error, and Borrowers shall pay such amounts to the appropriate party within ten (10) days following receipt of the certificate.

3.4.Reimbursement Obligations. Borrowers shall pay all Extraordinary Expenses promptly upon request. Borrowers also shall reimburse Agent for all reasonable and documented legal, accounting, appraisal, consulting, and other fees, costs and expenses incurred by it in connection with (a) negotiation and preparation of any Loan Documents, including any amendment or other modification thereof; (b) administration of and actions relating to any Collateral, Loan Documents and transactions contemplated thereby, including any actions taken to perfect or maintain priority of Agent's Liens on any Collateral, to maintain any insurance required hereunder or to verify Collateral; and (c) subject to the limits of Section 9.1.1(b), each inspection, audit or appraisal with respect to any Obligor or Collateral, whether prepared by Agent's personnel or a third party. All reasonable and documented legal, accounting and consulting fees shall be charged to Borrowers by Agent's professionals at their full hourly rates, regardless of any alternative fee arrangements that Agent, any Lender or any of their Affiliates may have with such professionals that otherwise might apply to this or any other transaction. Borrowers acknowledge that counsel may provide Agent with a benefit (such as a discount, credit or accommodation for other matters) based on counsel's overall relationship with Agent, including fees paid hereunder. If, for any reason (including inaccurate reporting by any Borrower), it is determined that a higher Applicable Margin should have applied to a period than was actually applied, then the proper margin shall be applied retroactively, and Borrowers shall immediately pay to Agent, for the ratable benefit of Lenders, an amount equal to the difference between the amount of interest and fees that would have accrued using the proper margin and the amount actually paid. All amounts payable by Borrowers under this Section shall be due **on demand**.

3.5. Reserved.

3.6. Increased Costs; Capital Adequacy.

3.6.1. Increased Costs Generally. If any Change in Law shall:

(a) impose, modify or deem applicable any reserve, liquidity, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender or Issuing Bank;

(b) subject any Recipient to Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clause (b) of the definition of Excluded Taxes, or (iii) Connection Income Taxes) with respect to any Loan, Letter of Credit, Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(c) impose on any Lender, Issuing Bank or any interbank market any other condition, cost or expense affecting any Loan, Letter of Credit, Commitment or Loan Document;

and the result in clause (a), (b) or (c) above shall be to increase the cost to a Lender or Issuing Bank of making or maintaining any Loan or Commitment, or converting to or continuing any interest option for a Loan, or to increase the cost to a Lender or Issuing Bank of issuing or maintaining any Letter of Credit (or of maintaining its obligation to issue a Letter of Credit), or to reduce the amount of any sum received or receivable by a Lender or Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request by of such Lender or Issuing Bank, Borrowers will pay to it such additional amount or amounts as will compensate it for such additional costs incurred or reduction suffered.

3.6.2.Capital Requirements. If a Lender or Issuing Bank determines that a Change in Law affecting it or its holding company regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s, Issuing Bank’s or such holding company’s capital as a consequence of this Agreement, Commitments, Loans or Letters of Credit to a level below that which such Lender, Issuing Bank or such holding company could have achieved but for such Change in Law (taking into consideration its policies with respect to capital adequacy), then from time to time Borrowers will pay to such Lender or Issuing Bank such additional amounts as will compensate it or its holding company for the reduction suffered.

3.6.3. Reserved.

3.6.4.Compensation. Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation, but Borrowers shall not be required to compensate a Lender or Issuing

Bank for any increased costs or reductions suffered more than nine months (plus any period of retroactivity of the Change in Law giving rise to the demand) prior to the date that Lender or Issuing Bank notifies Borrower Agent of the applicable Change in Law and of Lender's or Issuing Bank's intention to claim compensation therefor.

3.7.Mitigation. If any Lender requests compensation under Section 3.6, or if Borrowers are required to pay any Indemnified Taxes or additional amounts under Section 5.9, then at the request of Borrower Agent, such Lender shall use reasonable efforts to designate a different lending office or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment
(a) would eliminate the need for such notice or reduce amounts payable or to be withheld in the future, as applicable; and (b) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to it or unlawful. Borrowers shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

3.8. Reserved.

3.9.Maximum Interest. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law ("maximum rate"). If Agent or any Lender shall receive interest in an amount that exceeds the maximum rate, the excess interest shall be applied to the principal of the Obligations or, if it exceeds such unpaid principal, refunded to Borrowers. In determining whether the interest contracted for, charged or received by Agent or a Lender exceeds the maximum rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee or premium rather than interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

SECTION 4. LOAN ADMINISTRATION

4.1. Manner of Borrowing and Funding Revolver Loans.

4.1.1. Notice of Borrowing.

(a) Whenever Borrowers desire funding of a Revolver Loan, Borrower Agent shall give Agent a Notice of Borrowing. Such notice must be received by Agent by 11:00 a.m. five (5) Business Days prior to the requested funding date. Notices received after such time shall be deemed received on the next Business Day. Each Notice of Borrowing shall be irrevocable and shall specify (A) the amount of the Borrowing and
(B) the requested funding date (which must be a Business Day), provided, however, that any such Notice of Borrowing shall be accompanied by (A) a Borrowing Base Certificate,
(B) any applicable Collateral Documents and (C) supporting documentation of the applicable Advance, including, without limitation, the borrowing base certificate applicable to the Advance.

(b) Unless payment is otherwise made by Borrowers, the becoming due of any Obligations (whether principal, interest, fees or other charges, including Extraordinary Expenses, LC Obligations, Cash Collateral and Bank Product Debt) shall be deemed to be a request for a Revolver Loan on the due date in the amount due and the Loan proceeds shall be disbursed (subject to the terms hereof) as direct payment of such relevant Obligation. In addition, Agent may, at its option, charge such amount against any operating, investment or other account of a Borrower maintained with Agent or any of its Affiliates.

(c) If a Borrower maintains a disbursement account with Agent or any of its Affiliates, then presentation for payment in the account of a Payment Item when there are insufficient funds to cover it shall be deemed to be a request for a Revolver Loan on the presentation date, in the amount of the Payment Item. Proceeds of the Loan may be disbursed (subject to the terms hereof) directly to the account.

4.1.2.Notices. Borrowers may request, Loans, and transfer funds based on telephonic or e-mailed instructions to Agent. Borrowers shall confirm each such request by prompt delivery to Agent of a Notice of Borrowing, but if it differs materially from the action taken by Agent, the records of Agent shall govern. Agent and Lenders are not liable for any loss suffered by a Borrower as a result of Agent or a Lender acting upon its understanding of telephonic or e- mailed instructions from a person believed in good faith to be a person authorized to give such instructions on a Borrower's behalf.

4.1.3.Fundings by Lenders. Agent shall notify Lenders of each Notice of Borrowing (or deemed request for a Borrowing) by 1:00 p.m. at least two (2) Business Days prior to the proposed funding date for a Revolver Loan. Each Lender shall fund its Pro Rata share of a Borrowing in immediately available funds not later than 2:00 p.m. on the requested funding date (which, for the avoidance of doubt, shall be a Business Day), unless Agent's notice is received after the times provided above, in which case Lender shall fund by 1:00 p.m. on the next Business Day. Subject to its receipt of such amounts from Lenders, Agent shall disburse the Borrowing proceeds in a manner directed by Borrower Agent and acceptable to Agent. Unless Agent receives (in sufficient time to act) written notice from a Lender that it will not fund its share of a Borrowing, Agent may assume that such Lender has deposited or promptly will deposit its share with Agent, and Agent may disburse a corresponding amount to Borrowers. If a Lender's share of a Borrowing is not received by Agent, then Borrowers agree to repay to Agent **on demand** the amount of such share, together with interest thereon from the date disbursed until repaid, at the rate applicable to the Borrowing. Agent, a Lender or Issuing Bank may fulfill its obligations under Loan Documents through one or more Lending Offices, and this shall not affect any obligation of Obligors under the Loan Documents or with respect to any Obligations.

4.2. Defaulting Lender. Notwithstanding anything herein to the contrary:

4.2.1.Reallocation of Pro Rata Share; Amendments. For purposes of determining Lenders' obligations or rights to fund, participate in or receive collections with respect to Loans and Letters of Credit (including existing Protective Advances and LC Obligations), Agent may in its discretion reallocate Pro Rata shares by excluding a Defaulting Lender's Commitments and Loans from the calculation of shares. A Defaulting Lender shall have no right to vote on any amendment, waiver or other modification of a Loan Document, except as provided in Section 13.1.1(c).

4.2.2.Payments; Fees. Agent may, in its discretion, receive and retain any amounts payable to a Defaulting Lender under the Loan Documents, and a Defaulting Lender shall be deemed to have assigned to Agent such amounts until all Obligations owing to Agent, non- Defaulting Lenders and other Secured Parties have been paid in full. Agent may use such amounts to cover the Defaulting Lender's defaulted obligations, to Cash Collateralize such Lender's Fronting Exposure, to readvance the amounts to Borrowers or to repay Obligations. A Lender shall not be entitled to receive any fees accruing hereunder while it is a Defaulting Lender and its unfunded Commitment shall be disregarded for purposes of calculating the unused line fee under Section 3.2. If any LC Obligations owing to a Defaulted Lender are reallocated to other Lenders, fees attributable to such LC Obligations under Section 3.2 shall be paid to such Lenders. Agent shall be paid all fees attributable to LC Obligations that are not reallocated.

4.2.3.Status; Cure. Agent may determine in its discretion that a Lender constitutes a Defaulting Lender and the effective date of such status shall be conclusive and binding on all parties, absent manifest error. Borrowers, Agent and Issuing Bank may agree in writing that a Lender has ceased to be a Defaulting Lender, whereupon Pro Rata shares shall be reallocated without exclusion of the reinstated Lender's Commitments and Loans, and the Revolver Usage and other exposures under the Commitments shall be reallocated among Lenders and settled by Agent (with appropriate payments by the reinstated Lender) in accordance with the readjusted Pro Rata shares. Unless expressly agreed by Borrowers, Agent and Issuing Bank, or as expressly provided herein with respect to Bail-In Actions and related matters, no reallocation of Commitments and Loans to non-Defaulting Lenders or reinstatement of a Defaulting Lender shall constitute a waiver or release of claims against such Lender. The failure of any Lender to fund a Loan, to make a payment in respect of LC Obligations or otherwise to perform obligations hereunder shall not relieve any other Lender of its obligations under any Loan Document. No Lender shall be responsible for default by another Lender.

4.3.Borrower Agent. Each Borrower hereby designates CAL ("Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipts of Loans and Letters of Credit, designation of interest rates, delivery or receipt of communications, delivery of Borrowing Base Certificates and financial information and reports, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with Agent, Issuing Bank or any Lender. Borrower Agent hereby accepts such appointment. Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any Notice of Borrowing) delivered by Borrower Agent on behalf of any Borrower. Agent may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of Agent, Issuing Bank and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action or undertaking on its behalf by Borrower Agent shall be binding upon and enforceable against it.

4.4. **One Obligation**. The Loans, LC Obligations and other Obligations shall constitute one general obligation of Borrowers and are secured by Agent's Lien on all Collateral; provided, however, that Agent and each Lender shall be deemed to be a creditor of, and the holder of a separate claim against, each Borrower to the extent of any Obligations jointly or severally owed by such Borrower.

4.5. **Effect of Termination**. On the effective date of the termination of the Commitments, the Obligations shall be immediately due and payable, and each Secured Party may terminate its Bank Products. Until Full Payment of the Obligations, all undertakings of Borrowers contained in the Loan Documents shall continue, and Agent shall retain its Liens in the Collateral and all of its rights and remedies under the Loan Documents. Agent shall not be required to terminate its Liens unless it receives Cash Collateral or a written agreement, in each case satisfactory to it, protecting it from dishonor or return of any Payment Item previously applied to the Obligations. Sections 2.3, 3.4, 3.7, 5.6, 5.9, 11.3, this Section, and each indemnity or waiver given by an Obligor in any Loan Document, shall survive Full Payment of the Obligations.

SECTION 5. PAYMENTS

5.1. **General Payment Provisions**. All payments of Obligations shall be made in Dollars, without offset, counterclaim or defense of any kind, free and clear of (and without deduction for) any Taxes, and in immediately available funds, not later than 2:00 p.m. on the due date. Any payment after such time shall be deemed made on the next Business Day. Except as otherwise expressly provided herein, all such payments shall be made to the Agent, for the account of the respective Issuing Banks or Lenders to which such payment is owed, at the Agent's office located at 9450 W. Bryn Mawr Avenue, Suite 300, Rosemont, IL 60018. The Agent will promptly distribute to each Issuing Bank or Lender its ratable share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Issuing Bank or such Lender's applicable lending office (or otherwise distribute such payment in like funds as received to the Person or Persons entitled thereto as provided herein). Borrowers agree that Agent shall have the continuing, exclusive right to apply and reapply payments and proceeds of Collateral against Obligations, in accordance with the terms hereof. Subject to Section 10.7, if at any time insufficient funds are received by and available to the Agent to pay fully all amounts of principal, unreimbursed drawings under Letters of Credit, interest, fees and other amounts then due hereunder, such funds shall be applied (i) first, to pay interest, fees and other amounts then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and other amounts then due to such parties, and (ii) second, to pay principal and unreimbursed drawings under Letters of Credit then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal or unreimbursed drawings under Letters of Credit, as applicable, then due to such parties.

5.2. **Repayment of Revolver Loans**. On the first Business Day of each calendar month, Borrowers shall make a payment total amount of interest accrued and outstanding on the Revolver Loans. The balance of (i) any interest due and payable and (ii) the outstanding principal balance of the Revolver Loans shall be due and payable in full on the Revolver Termination Date, unless payment is sooner required hereunder. Revolver Loans may be prepaid from time to time, subject to the terms and conditions herein. If an Overadvance or Protective Advance exists at any time, Borrowers shall, on the sooner of Agent's demand or the first Business Day after any Borrower has knowledge thereof, repay Revolver Loans in an amount sufficient to reduce Revolver Usage to the Borrowing Base. If any asset disposition includes the disposition of Advances, Borrowers shall apply Net Proceeds to repay Revolver Loans equal to the greater of (a) the net book value of such Advances, or (b) the reduction in Borrowing Base resulting from the disposition.

5.3.Prepayment. Borrowers shall have the right at any time to prepay the Loans of all the Lenders, Pro Rata, without premium or penalty, except as follows: Borrower shall pay a prepayment penalty equal to one percent (1%) of the amount of any permanent reduction of the Commitments, for any reason (whether through whole or partial refinancing of the Obligations, termination of this Agreement or otherwise), on or before December 16, 2022, such fee to be payable concurrently with such reduction, Pro Rata, to each Lender; provided, however, that the foregoing fee shall not be paid to any Lender if such Lender, or an affiliate thereof, is a lender under the facility refinancing the Obligations.

5.4.Payment of Other Obligations. Obligations other than Loans, including LC Obligations and Extraordinary Expenses, shall be paid by Borrowers as provided in the Loan Documents or, if no payment date is specified, **on demand**.

5.5.Dominion Account. Borrowers shall maintain Dominion Accounts pursuant to lockbox or other arrangements acceptable to Agent. Borrowers shall obtain an agreement (in form and substance satisfactory to Agent) from each lockbox servicer and Dominion Account bank, establishing Agent's control over and Lien in the lockbox or Dominion Account, requiring immediate deposit of all remittances received in the lockbox to a Dominion Account, and waiving offset rights of such servicer or bank, except for customary administrative charges. Agent may, if an Event of Default exists, require immediate transfer of all funds in such account to a Dominion Account maintained with [***] Bank (or, if [***] Bank is no longer the Agent, such other institution as is reasonably acceptable to the Agent, or if there is no Agent, then the Required Lenders). Agent assumes no responsibility to Borrowers for any lockbox arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to any Payment Items accepted by any bank. Borrowers shall request in writing and otherwise take all necessary steps to ensure that all payments on Accounts or otherwise relating to Collateral are made directly to a Dominion Account (or a lockbox relating to a Dominion Account). If any Borrower or Subsidiary receives cash or Payment Items with respect to any Collateral, it shall hold same in trust for Agent and promptly (not later than the next Business Day) deposit same into a Dominion Account.

5.6.Marshaling; Payments Set Aside. None of Agent or Lenders shall be under any obligation to marshal any assets in favor of any Obligor or against any Obligations. If any payment by or on behalf of Borrowers is made to Agent, Issuing Bank or any Lender, or if Agent, Issuing Bank or any Lender exercises a right of setoff, and any of such payment or setoff is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Agent, Issuing Bank or a Lender in their discretion) to be repaid to a trustee, receiver or any other Person, then the Obligation originally intended to be satisfied, and all Liens, rights and remedies relating thereto, shall be revived and continued in full force and effect as if such payment or setoff had not occurred.

5.7. Application of Payments.

5.7.1.Dominion Account. The ledger balance in the main Dominion Account as of the end of a Business Day shall be applied to the Obligations at the beginning of the next Business Day. If a credit balance results from such application, it shall be delivered to Borrowers, as requested by Borrowers, so long as no Default or Event of Default exists.

5.7.2.Insurance and Condemnation Proceeds. Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance) and any awards arising from condemnation of any Collateral shall be paid to Agent for application to the Obligations in accordance with the terms hereof.

5.7.3.Reinvestment of Proceeds. If requested by Borrowers in writing within fifteen (15) days after Agent's receipt of any insurance proceeds or condemnation awards relating to any loss or destruction of Equipment or Real Estate, Borrowers may use such proceeds or awards to repair or replace such Equipment or Real Estate (and until so used, the proceeds shall be held by Agent as Cash Collateral) as long as (i) no Default or Event of Default exists; (ii) such repair or replacement is promptly undertaken and concluded, in accordance with plans reasonably satisfactory to Agent; (iii) replacement buildings are constructed on the sites of the original casualties and are of comparable size, quality and utility to the destroyed buildings; (iv) the repaired or replaced Property is free of Liens, other than Permitted Liens that are not Purchase Money Liens; (v) Borrowers comply with disbursement procedures for such repair or replacement as Agent may reasonably require; and (vi) the aggregate amount of such proceeds or awards from any single casualty or condemnation does not exceed $150,000.

5.7.4. Reserved.

5.8.Account Stated. Agent shall maintain, in accordance with customary practices, loan account(s) evidencing the Debt of Borrowers hereunder. Any failure of Agent to record anything in a loan account, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers to pay any amount owing hereunder. Entries made in a loan account shall constitute presumptive evidence of the information contained therein. If any information contained in a loan account is provided to or inspected by any Person, the information shall be conclusive and binding on such Person for all purposes absent manifest error, except to the extent such Person notifies Agent in writing within thirty (30) days after receipt or inspection that specific information is subject to dispute.

5.9. Taxes.

5.9.1. Payments Free of Taxes; Obligation to Withhold; Tax Payment.

(a) All payments of Obligations by Obligors shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If applicable Law (as determined by Agent or Obligor, as applicable, in its discretion) requires the deduction or withholding of any Tax from any such payment by Agent or an Obligor, then Agent or such Obligor shall be entitled to make such deduction or withholding based on information and documentation provided pursuant to Section 5.9.

For purposes of Sections 5.8 and 5.9, “applicable Law” shall include FATCA and “Lender” shall include Issuing Bank.

(b) If Agent or any Obligor is required by the Code to withhold or deduct Taxes, including backup withholding and withholding taxes, from any payment, then (i) Agent or Obligor, as applicable, shall pay the full amount that it determines is to be withheld or deducted to the relevant Governmental Authority pursuant to the Code, and
(ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) If Agent or any Obligor is required by any applicable Law other than the Code to withhold or deduct Taxes from any payment, then (i) Agent or such Obligor, to the extent required by applicable Law, shall timely pay the full amount to be withheld or deducted to the relevant Governmental Authority, and (ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

5.9.2.Payment of Other Taxes. Without limiting the foregoing, Borrowers shall timely pay to the relevant Governmental Authority in accordance with applicable Law, or at Agent’s option, timely reimburse Agent for payment of, any Other Taxes.

5.9.3. Tax Indemnification.

(a) Each Borrower shall indemnify and hold harmless, on a joint and several basis, each Recipient against any Indemnified Taxes (including those imposed or asserted on or attributable to amounts payable under this Section) payable or paid by a Recipient or required to be withheld or deducted from a payment to a Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Borrower shall make payment within ten (10) days after written demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to Borrowers by a Lender or Issuing Bank (with a copy to Agent), or by Agent on its own behalf or on behalf of any Recipient, shall be conclusive absent manifest error.

(b) Each Lender and Issuing Bank shall indemnify and hold harmless, on a several basis, (i) Agent against any Indemnified Taxes attributable to such Lender or Issuing Bank (but only to the extent Borrowers have not already paid or reimbursed Agent therefor and without limiting Borrowers’ obligation to do so), (ii) Agent against any Taxes attributable to such Lender’s failure to maintain a Participant Register as required hereunder, and (iii) Agent against any Excluded Taxes attributable to such Lender or Issuing Bank, in each case, that are payable or paid by Agent in connection with any Obligations, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender and Issuing Bank shall make payment within ten (10) days after written demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to any Lender or Issuing Bank by Agent shall be conclusive absent manifest error.

5.9.4. Evidence of Payments. If Agent or an Obligor pays any Taxes pursuant to this Section, then upon request, Agent or Borrower Agent, as applicable, shall deliver to the other a copy of a receipt issued by the appropriate Governmental Authority evidencing the payment, a copy of any return required by applicable Law to report the payment, or other evidence of payment reasonably satisfactory to the requesting party.

5.9.5. Treatment of Certain Refunds. If a Recipient determines in its reasonable discretion that it has received a refund of Taxes that were indemnified by Borrowers or with respect to which a Borrower paid additional amounts pursuant to this Section, it shall pay the amount of such refund to Borrowers (but only to the extent of indemnity payments or additional amounts actually paid by Borrowers with respect to the Taxes giving rise to the refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund). Borrowers shall, upon request by the Recipient, repay to the Recipient such amount paid over to Borrowers (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if the Recipient is required to repay such refund to the Governmental Authority. Notwithstanding anything herein to the contrary, no Recipient shall be required to pay any amount to Borrowers if such payment would place it in a less favorable net after-Tax position than it would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. In no event shall Agent or any Recipient be required to make its tax returns (or any other information relating to its taxes that it deems confidential) available to any Obligor or other Person.

5.9.6. Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments of Obligations shall deliver to Borrowers and Agent properly completed and executed documentation reasonably requested by Borrowers or Agent as will permit such payments to be made without or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrowers or Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by Borrowers or Agent to enable them to determine whether such Lender is subject to backup withholding or information reporting requirements. Notwithstanding the foregoing, such documentation (other than documentation described in Sections 5.9.7(a), (b), and (d)) shall not be required if a Lender reasonably believes delivery of the documentation would subject it to any material unreimbursed cost or expense or would materially prejudice its legal or commercial position.

5.9.7. Documentation. Without limiting the foregoing, if any Borrower is a U.S. Person,

(a) any Lender that is a U.S. Person shall deliver to Borrowers and Agent on or prior to the date on which such Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrowers or Agent), executed copies of IRS Form W-9, certifying that such Lender is exempt from U.S. federal backup withholding Tax;

(b) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrowers and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrowers or Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party, (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty, and (y) with respect to other payments under the Loan Documents, IRS Form W-8BEN-E establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed copies of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate in form satisfactory to Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code ("<u>U.S. Tax Compliance Certificate</u>"), and (y) executed copies of IRS Form W- 8BEN-E; or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate in form satisfactory to Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; <u>provided</u>, that if the Foreign Lender is a partnership and one or more of its direct or indirect partners is claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such partner;

(c) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrowers and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request), executed copies of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit Borrowers or Agent to determine the withholding or deduction required to be made; and

(d) if payment of an Obligation to a Lender would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code), such Lender shall deliver to Borrowers and Agent, at the time(s) prescribed by law and otherwise upon reasonable request, such documentation prescribed by applicable Law (including Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be appropriate for Borrowers or Agent to comply with their obligations under FATCA and to determine that such Lender has complied with its obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (d), "FATCA" shall include any amendments made to FATCA after the date hereof.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify Borrower and Agent in writing of its legal inability to do so.

5.9.8.Survival. Each party's obligations under this Section 5.9 shall survive any assignment by any Agent, Issuing Bank or Lender of rights or obligations hereunder, termination of the Commitments, and any repayment, satisfaction, discharge or Full Payment of any Obligations.

5.10. Nature and Extent of Each Borrower's Liability.

5.10.1.Joint and Several Liability. Each Borrower agrees that it is jointly and severally liable for, and absolutely and unconditionally guarantees to Agent, Lenders and any other Secured Party the prompt payment and performance of, all Obligations. Each Borrower agrees that its guaranty obligations hereunder constitute a continuing guaranty of payment and performance and not of collection, that such obligations shall not be discharged until Full Payment of the Obligations, and that such obligations are absolute and unconditional, irrespective of (a) the genuineness, validity, regularity, enforceability, subordination or any future modification of, or change in, any Obligations or Loan Document, or any other document, instrument or agreement to which any Obligor is or may become a party or be bound; (b) the absence of any action to enforce this Agreement (including this Section) or any other Loan Document, or any waiver, consent or indulgence of any kind by Agent, Issuing Bank or any Lender with respect thereto; (c) the existence, value or condition of, or failure to perfect a Lien or to preserve rights against, any security or guaranty for any Obligations or any action, or the absence of any action, by Agent, Issuing Bank or any Lender in respect thereof (including the release of any security or guaranty);
(d) the insolvency of any Obligor; (e) any election by Agent, Issuing Bank or any Lender in an Insolvency Proceeding for the application of Section 1111(b)(2) of the Bankruptcy Code; (f) any borrowing or grant of a Lien by any other Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code or otherwise; (g) the disallowance of any claims of Agent, Issuing Bank or any Lender against any Obligor for the repayment of any Obligations under Section 502 of the Bankruptcy Code or otherwise; or (h) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, except Full Payment of the Obligations.

5.10.2. Waivers.

(a) Each Borrower expressly waives all rights that it may have now or in the future under any statute, at common Law, in equity or otherwise, to compel any Secured Party to marshal assets or to proceed against any Obligor, other Person or security for the payment or performance of any Obligations before, or as a condition to, proceeding against such Borrower. Each Borrower waives all defenses available to a surety, guarantor or accommodation co-obligor other than Full Payment of Obligations and waives, to the maximum extent permitted by Law, any right to revoke any guaranty of Obligations as long as it is a Borrower. It is agreed among each Borrower and each Secured Party that the provisions of this Section 5.10 are of the essence of the transaction contemplated by the Loan Documents and that, but for such provisions, Agent and Lenders would decline to make Loans and issue Letters of Credit. Each Borrower acknowledges that its guaranty pursuant to this Section is necessary to the conduct and promotion of its business, and can be expected to benefit such business.

(b) Subject in all respects to Section 11, Secured Parties may, in their discretion, pursue such rights and remedies as they deem appropriate, including realization upon Collateral or any Real Estate by judicial foreclosure or nonjudicial sale or enforcement, without affecting any rights and remedies under this Section 5.10. If, in taking any action in connection with the exercise of any rights or remedies, a Secured Party shall forfeit any other rights or remedies, including the right to enter a deficiency judgment against any Borrower or other Person, whether because of any applicable Laws pertaining to "election of remedies" or otherwise, each Borrower consents to such action and waives any claim based upon it, even if the action may result in loss of any rights of subrogation that any Borrower might otherwise have had. Any election of remedies that results in denial or impairment of the right of a Secured Party to seek a deficiency judgment against any Borrower shall not impair any other Borrower's obligation to pay the full amount of the Obligations. Each Borrower waives all rights and defenses arising out of an election of remedies, such as nonjudicial foreclosure with respect to any security for Obligations, even though that election of remedies destroys such Borrower's rights of subrogation against any other Person. Agent may bid Obligations, in whole or part, at any foreclosure, trustee or other sale, including any private sale, and the amount of such bid need not be paid by Agent but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Agent or any other Person is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral, and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this Section 5.10, notwithstanding that any present or future Law or court decision may have the effect of reducing the amount of any deficiency claim to which a Secured Party might otherwise be entitled but for such bidding at any such sale.

5.10.3. Extent of Liability; Contribution.

(a) Notwithstanding anything herein to the contrary, each Borrower's liability under this Section 5.10 shall not exceed the greater of (i) all amounts for which such Borrower is primarily liable, as described in clause (c) below, and (ii) such Borrower's Allocable Amount.

(b) If any Borrower makes a payment under this Section 5.10 of any Obligations (other than amounts for which such Borrower is primarily liable) (a "Guarantor Payment") that, taking into account all other Guarantor Payments previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Guarantor Payments in the same proportion that such Borrower's Allocable Amount bore to the total Allocable Amounts of all Borrowers, then such Borrower shall be entitled to receive contribution and indemnification payments from, and to be reimbursed by, each other Borrower for the amount of such excess, ratably based on their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. The "Allocable Amount" for any Borrower shall be the maximum amount that could then be recovered from such Borrower under this Section 5.10 without rendering such payment voidable under Section 548 of the Bankruptcy Code or under any applicable state fraudulent transfer or conveyance act, or similar statute or common Law.

(c) Section 5.10.3(a) shall not limit the liability of any Borrower to pay or guarantee Loans made directly or indirectly to it (including Loans advanced hereunder to any other Person and then re-loaned or otherwise transferred to, or for the benefit of, such Borrower), LC Obligations relating to Letters of Credit issued to support its business, Bank Products incurred to support its business, and all accrued interest, fees, expenses and other related Obligations with respect thereto, for which such Borrower shall be primarily liable for all purposes hereunder. Agent and Lenders shall have the right, at any time in its discretion, to condition Loans and Letters of Credit upon a separate calculation of borrowing availability for each Borrower and to restrict the disbursement and use of Loans and Letters of Credit to a Borrower based on that calculation.

5.10.4.Joint Enterprise. Each Borrower has requested that Agent and Lenders make this credit facility available to Borrowers on a combined basis, in order to finance Borrowers' business most efficiently and economically. Borrowers' business is a mutual and collective enterprise, and the successful operation of each Borrower is dependent upon the successful performance of the integrated group. Borrowers believe that consolidation of their credit facility will enhance the borrowing power of each Borrower and ease administration of the facility, all to their mutual advantage. Borrowers acknowledge that Agent's and Lenders' willingness to extend credit and to administer the Collateral on a combined basis hereunder is done solely as an accommodation to Borrowers and at Borrowers' request.

5.10.5.Subordination. Each Borrower hereby subordinates any claims, including any rights at Law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Obligor, howsoever arising, to the Full Payment of its Obligations.

SECTION 6. CONDITIONS PRECEDENT

6.1.Conditions Precedent to Initial Loans. In addition to the conditions set forth in Section 6.2, Lenders shall not be required to fund any requested Loan, issue any Letter of Credit or otherwise extend credit to Borrowers hereunder, until the date ("Restatement Date") that each of the conditions precedent set forth on Exhibit D has been satisfied.

6.2.Conditions Precedent to All Credit Extensions. Agent, Issuing Bank and Lenders shall not be required to fund any Loans, issue any Letters of Credit, or grant any other accommodation to or for the benefit of Borrowers, unless the following conditions are satisfied:

(a) No Default or Event of Default shall exist at the time of, or result from, such funding, issuance or grant;

(b) Immediately prior to and after such funding, issuance or grant there are at least four (4) Eligible Advances in the Borrowing Base, all of which are from different and unaffiliated Account Debtors;

(c) Borrowers shall, in conjunction with any Notice of Borrowing, cause to be delivered to Agent (i) a Borrowing Base Certificate and (ii) all applicable Collateral Documents;

(d) The representations and warranties of each Obligor in the Loan Documents shall be true and correct on the date of, and upon giving effect to, such funding, issuance or grant (except for representations and warranties that expressly relate to an earlier date);

satisfied;

(e)

All conditions precedent in any other Loan Document shall be

(f) No event shall have occurred or circumstance exist that has or could reasonably be expected to have a Material Adverse Effect; and

(g) With respect to issuance of a Letter of Credit, the LC Conditions shall be satisfied.

Each request (or deemed request) by Borrowers for funding of a Loan, issuance of a Letter of Credit or grant of an accommodation shall constitute a representation by Borrowers that the foregoing conditions are satisfied on the date of such request and on the date of such funding, issuance or grant. As an additional condition to any funding, issuance or grant, Agent shall have received such other information, documents, instruments and agreements as it deems appropriate in connection therewith.

SECTION 7. COLLATERAL

7.1.<u>Grant of Security Interest</u>. To secure the prompt payment and performance of the Obligations, each Borrower hereby grants to Agent, on behalf of itself and the other Secured

Parties, a continuing security interest in and Lien upon all personal Property of such Borrower, including all of the following Property, whether now owned or hereafter acquired, and wherever located: (a) all Accounts; (b) all Chattel Paper, including Electronic Chattel Paper; (c) all Commercial Tort Claims, including those shown on Schedule 8.1.15; (d) all Deposit Accounts;
(e) all Documents; (f) all General Intangibles, including Intellectual Property; (g) all Goods, including Inventory, Equipment and Fixtures; (h) all Instruments; (i) all Investment Property;
(j) all Letter-of-Credit Rights; (k) all Supporting Obligations; (l) all monies, whether or not in the possession or under the control of Agent, or a bailee or Affiliate of Agent, including any Cash Collateral; (m) all accessions to, substitutions for, and all replacements, products, and cash and non-cash proceeds of the foregoing, including proceeds of and unearned premiums with respect to insurance policies, and claims against any Person for loss, damage or destruction of any Collateral; and (n) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and computer records) pertaining to the foregoing; provided, that in no event shall the Collateral include more than 65% of the voting stock of any Foreign Subsidiary.

7.2. Lien on Deposit Accounts; Cash Collateral.

7.2.1.Deposit Accounts. To further secure the prompt payment and performance of the Obligations, each Borrower hereby grants to Agent, for the benefit of the Secured Parties, a continuing security interest in and Lien upon all amounts credited to any Deposit Account of such Borrower, including sums in any blocked, lockbox, sweep or collection account. Each Borrower hereby authorizes and directs each bank or other depository to deliver to Agent, upon request, all balances in any Deposit Account maintained for such Borrower, without inquiry into the authority or right of Agent to make such request.

7.2.2.Cash Collateral. Cash Collateral may be invested, at Agent's discretion (and with the consent of Borrowers, as long as no Event of Default exists), but Agent shall have no duty to do so, regardless of any agreement or course of dealing with any Borrower, and shall have no responsibility for any investment or loss. As security for its Obligations, each Borrower hereby grants to Agent, for the benefit of the Secured Parties, a security interest in and Lien upon all Cash Collateral held from time to time and all proceeds thereof, whether held in a Cash Collateral Account or otherwise. Agent may apply Cash Collateral to the payment of Obligations as they become due (a) if such Obligation is the Fronting Exposure of any Defaulting Lender or
(b) otherwise, if an Event of Default has occurred and is continuing, in accordance with Section 10.7. Each Cash Collateral Account and all Cash Collateral shall be under the sole dominion and control of Agent, and no Borrower or other Person shall have any right to any Cash Collateral, until Full Payment of the Obligations.

7.3. Reserved.

7.4. Other Collateral.

7.4.1.Commercial Tort Claims. Borrowers shall promptly notify Agent in writing if any Borrower has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000), shall promptly amend Schedule 8.1.15 to include such claim, and shall take such actions as Agent deems appropriate to subject such claim to a duly perfected, first priority Lien in favor of Agent.

7.4.2.Certain After-Acquired Collateral. Borrowers shall promptly notify Agent in writing if, after the Restatement Date, any Borrower obtains any interest in any Collateral consisting of Deposit Accounts, Chattel Paper, Documents, Instruments, Intellectual Property, Investment Property or Letter-of-Credit Rights and, upon Agent's request, shall promptly take such actions as Agent deems appropriate to effect Agent's duly perfected, first priority Lien upon such Collateral, including obtaining any appropriate possession, control agreement or Lien Waiver. If any Collateral is in the possession of a third party, at Agent's request, Borrowers shall obtain an acknowledgment that such third party holds the Collateral for the benefit of Agent.

7.5.Limitations. The Lien on Collateral granted hereunder is given as security only and shall not subject Agent or any Lender to, or in any way modify, any obligation or liability of Borrowers relating to any Collateral.

7.6.Further Assurances; Extent of Liens. All Liens granted to Agent under the Loan Documents are for the benefit of Secured Parties. Promptly upon request, Borrowers shall deliver such instruments and agreements, and shall take such actions, as Agent deems appropriate under applicable Law to evidence or perfect its Lien on any Collateral, or otherwise to give effect to the intent of this Agreement. Borrower shall use commercially reasonable efforts to obtain a Lien Waiver for its permanent leased space(s). Each Borrower authorizes Agent to file any financing statement that describes the Collateral as "all assets" or "all personal property" of such Borrower, or words to similar effect, and ratifies any action taken by Agent before the Restatement Date to effect or perfect its Lien on any Collateral. Each Borrower shall deliver, or cause to be delivered to Agent, the original of any loan document received by such Borrower in connection with an Eligible Advance within two (2) Business Days following Borrower's receipt thereof, including, without limitation, any promissory notes, guarantees and title insurance policies, in each case, issued specifically to such Borrower, that are pledged to Agent for its benefit and the benefit of the Lenders.

SECTION 8. REPRESENTATIONS AND WARRANTIES

8.1.General Representations and Warranties. To induce Agent and Lenders to enter into this Agreement and to make available the Commitments, Loans and Letters of Credit, each Borrower represents and warrants that:

8.1.1.Organization and Qualification. Each Borrower and Subsidiary is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each Borrower and Subsidiary is duly qualified, authorized to do business and in good standing as a foreign corporation in each jurisdiction where failure to be so qualified could reasonably be expected to have a Material Adverse Effect.

8.1.2.Power and Authority. Each Obligor is duly authorized to execute, deliver and perform its Loan Documents. The execution, delivery and performance of the Loan Documents have been duly authorized by all necessary action, and do not (a) require any consent or approval of any holders of Equity Interests of any Obligor, except those already obtained;
(b) contravene the Organic Documents of any Obligor; (c) violate or cause a default under any applicable Law or Material Contract; or (d) result in or require the imposition of a Lien (other than Permitted Liens) on any Obligor's Property.

8.1.3. Enforceability. Each Loan Document is a legal, valid and binding obligation of each Obligor party thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar Laws affecting the enforcement of creditors' rights generally.

8.1.4. Capital Structure. Schedule 8.1.4 shows, for each Borrower and Subsidiary, its name, jurisdiction of organization, authorized and issued Equity Interests, holders of its Equity Interests, and agreements binding on such holders with respect to such Equity Interests. Except as disclosed on Schedule 8.1.4, in the five (5) years preceding the Restatement Date, no Borrower or Subsidiary has acquired any substantial assets from any other Person nor been the surviving entity in a merger or combination. Each Borrower has good title to its Equity Interests in its Subsidiaries, subject only to Agent's Lien, and all such Equity Interests are duly issued, fully paid and non-assessable. There are no outstanding purchase options, warrants, subscription rights, agreements to issue or sell, convertible interests, phantom rights or powers of attorney relating to Equity Interests of any Borrower or Subsidiary.

8.1.5. Title to Properties; Priority of Liens. Each Borrower and Subsidiary has good and marketable title to (or valid leasehold interests in) all of its Real Estate, and good title to all of its personal Property, including all Property reflected in any financial statements delivered to Agent or Lenders, in each case free of Liens except Permitted Liens. Each Borrower and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. All Liens of Agent in the Collateral are duly perfected, first priority Liens, subject only to Permitted Liens that are expressly allowed to have priority over Agent's Liens.

8.1.6. Advances. Agent may rely, in determining which Advances are Eligible Advances, on all statements and representations made by Borrowers with respect thereto. Borrowers warrant, with respect to each Advance at the time it is shown as an Eligible Advance in a Borrowing Base Certificate, that: (a) it is genuine and enforceable in accordance with its terms and is not evidenced by a judgment; (b) it arises out of a completed, commercial loan or advance in the Ordinary Course of Business, and substantially in accordance with any loan or credit agreement, contract or other document relating thereto; (c) it is for a sum certain, maturing as stated in the loan or credit agreement evidencing such transaction, copies of which loan or credit agreement and other material agreements have been furnished or are available to Agent on request;
(d) it is not subject to any offset, Lien (other than Agent's Lien), deduction, defense, dispute, counterclaim or other adverse condition except as arising in the Ordinary Course of Business and disclosed to Agent; (e) no credit or loan agreement or other applicable document or applicable Law restricts assignment of the Advance to Agent (regardless of whether, under the UCC, the restriction is ineffective); (f) no extension, compromise, settlement, modification, credit or deduction has been authorized with respect to the Advance; and (g) it satisfies each of the other eligibility criteria and requirements in the definition of Eligible Advance unless such criteria was waived or modified by Agent and/or the Required Lenders, as applicable, in accordance with the terms hereof, including, without limitation, as set forth in the definition of Eligible Advances.

8.1.7. Financial Statements. The consolidated and consolidating balance sheets, and related statements of income, cash flow and shareholders' equity, of Borrowers and

Subsidiaries that have been and are hereafter delivered to Agent and Lenders, are prepared in accordance with GAAP, and fairly present the financial positions and results of operations of Borrowers and Subsidiaries at the dates and for the periods indicated. All projections delivered from time to time to Agent and Lenders have been prepared in good faith, based on reasonable assumptions in light of the circumstances at such time. Since December 31, 2022, there has been no change in the condition, financial or otherwise, of any Borrower or Subsidiary that could reasonably be expected to have a Material Adverse Effect. No financial statement delivered to Agent or Lenders at any time contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make such statement not materially misleading. Each Borrower and Subsidiary is Solvent.

8.1.8.Surety Obligations. No Borrower or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

8.1.9.Taxes. Each Borrower and Subsidiary has filed all federal, state and local tax returns and other reports that it is required by Law to file, and has paid, or made provision for the payment of, all Taxes upon it, its income and its Properties that are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Borrower and Subsidiary is adequate for all years not closed by applicable statutes, and for its current Fiscal Year.

8.1.10.Brokers. There are no brokerage commissions, finder's fees or investment banking fees payable in connection with any transactions contemplated by the Loan Documents.

8.1.11.Intellectual Property. Each Borrower and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. Except as disclosed on Schedule 8.1.11, no Borrower or Subsidiary pays or owes any Royalty or other compensation to any Person with respect to any Intellectual Property. All Intellectual Property owned, used or licensed by, or otherwise subject to any interests of, any Borrower or Subsidiary is shown on Schedule 8.1.11.

8.1.12.Governmental Approvals. Each Borrower and Subsidiary has, is in compliance with, and is in good standing with respect to, all Governmental Approvals necessary to conduct its business and to own, lease and operate its Properties.

8.1.13.Compliance with Laws. Each Borrower and Subsidiary has duly complied, and its Properties and business operations are in compliance, in all material respects with all applicable Laws, except where noncompliance could not reasonably be expected to have a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Borrower or Subsidiary under any applicable Law. No Inventory has been produced in violation of the FLSA. Except as disclosed on Schedule 8.1.13, no Borrower's or Subsidiary's past or present operations, Real Estate or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. No Borrower or Subsidiary has received any Environmental Notice. No Borrower or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Estate now or previously owned, leased or operated by it.

8.1.14.Burdensome Contracts. No Borrower or Subsidiary is party or subject to any Restrictive Agreement, except as shown on Schedule 8.1.14. No such Restrictive Agreement prohibits the execution, delivery or performance of any Loan Document by an Obligor.

8.1.15.Litigation. Except as shown on Schedule 8.1.15, there are no proceedings or investigations pending or, to any Borrower's knowledge, threatened against any Borrower or Subsidiary, or any of their businesses, operations, Properties, prospects or conditions, that (a) relate to any Loan Documents or transactions contemplated thereby; or (b) could reasonably be expected to have a Material Adverse Effect if determined adversely to any Borrower or Subsidiary. Except as shown on such Schedule, no Obligor has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000). No Borrower or Subsidiary is in default with respect to any order, injunction or judgment of any Governmental Authority.

8.1.16.No Defaults. No event or circumstance has occurred or exists that constitutes a Default or Event of Default. No Borrower or Subsidiary is in default, and no event or circumstance has occurred or exists that with the passage of time or giving of notice would constitute a default, under any Material Contract or in the payment of any Borrowed Money or allow termination of any Material Contract.

8.1.17. ERISA. Except as disclosed on Schedule 8.1.17:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of Borrowers, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Obligor and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made with respect to any Plan.

(b) There are no pending or, to the knowledge of Borrowers, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) no Obligor or ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under

Section 4007 of ERISA); (iv) no Obligor or ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; (v) no Obligor or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA; and
(vi) as of the most recent valuation date for any Pension Plan or Multiemployer Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and no Obligor or ERISA Affiliate knows of any fact or circumstance that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below 60% as of such date.

8.1.18.Trade Relations. There exists no actual or threatened termination, limitation or modification of any business relationship between any Borrower or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Borrower or Subsidiary.

8.1.19.Labor Relations. No Borrower or Subsidiary is party to or bound by any collective bargaining agreement, management agreement or consulting agreement. There are no material grievances, disputes or controversies with any union or other organization of any Borrower's or Subsidiary's employees, or, to any Borrower's knowledge, any asserted or threatened strikes, work stoppages or demands for collective bargaining.

8.1.20.Payable Practices. No Borrower or Subsidiary has made any material change in its historical accounts payable practices from those in effect on the Restatement Date.

8.1.21.Not a Regulated Entity. No Obligor is (a) required to register as an "investment company" pursuant to the Investment Company Act of 1940, as amended; or
(b) subject to regulation under the Federal Power Act, the Interstate Commerce Act or any public utilities code.

8.1.22.Margin Stock. No Borrower or Subsidiary is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No Loan proceeds or Letters of Credit will be used by Borrowers to purchase or carry, or to reduce or refinance any Debt incurred to purchase or carry, any Margin Stock or for any related purpose governed by Regulations T, U or X of the Board of Governors.

8.1.23.OFAC. No Borrower, Subsidiary or, to the knowledge of any Borrower or Subsidiary, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity currently the subject of any Sanctions. No Borrower or Subsidiary is located, organized or resident in a Designated Jurisdiction.

8.1.24.Deposit Accounts. Schedule 9.1.9 sets forth all Deposit Accounts maintained by Borrowers, including all Dominion Accounts.

8.2.Complete Disclosure. No Loan Document contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make the statements contained therein not materially misleading. There is no fact or circumstance that any Obligor has failed to disclose to Agent in writing that could reasonably be expected to have a Material Adverse Effect.

SECTION 9. COVENANTS AND CONTINUING AGREEMENTS

9.1.Affirmative Covenants. As long as any Commitment or Obligations are outstanding, each Borrower shall, and shall cause each Subsidiary to:

9.1.1. Inspections; Appraisals.

(a) Permit Agent from time to time, subject (except when a Default or Event of Default exists) to reasonable notice and normal business hours, to visit and inspect the Properties of any Borrower or Subsidiary, inspect, audit and make extracts from any Borrower's or Subsidiary's books and records, and discuss with its officers, employees, agents, advisors and independent accountants such Borrower's or Subsidiary's business, financial condition, assets, prospects and results of operations. Lenders may participate in any such visit or inspection; provided, however, that such participation shall be at their own expense unless an Event of Default has occurred and is continuing. Secured Parties shall not have any duty to any Borrower to make any inspection, nor to share any results of any inspection, appraisal or report with any Borrower. Borrowers acknowledge that all inspections, appraisals and reports are prepared by Agent and Lenders for their purposes, and Borrowers shall not be entitled to rely upon them.

(b) Reimburse Agent for all of its reasonable, documented charges, costs and expenses in connection with examinations of any Obligor's books and records or any other financial or Collateral matters as Agent deems appropriate, up to one time per Loan Year; provided, however, that if an examination is initiated during a Default or Event of Default, all charges, costs and expenses therefor shall be reimbursed by Borrowers without regard to such limits. Subject to and without limiting the foregoing, Borrowers agree to pay Agent's then standard charges for examination activities, including the standard charges of Agent's internal examination and appraisal groups, as well as the charges of any third party used for such purposes.

(c) Permit Agent to have full and continuous access to Borrowers' collateral analysis files and virtual file room.

9.1.2.Financial and Other Information. Keep adequate records and books of account with respect to its business activities, in which proper entries are made in accordance with GAAP reflecting all financial transactions; and furnish to Agent and Lenders all financial statements, reports and other items set forth on Exhibit F no later than the time specified therein.

9.1.3.Collateral Reporting. Provide Agent with each certificate, report or schedule set forth on Exhibit G attached hereto no later than the times specified therein.

9.1.4.Notices. Notify Agent and Lenders in writing, promptly after a Borrower's obtaining knowledge thereof, of any of the following that affects an Obligor: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance,

if an adverse determination could have a Material Adverse Effect; (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract; (c) any default under or termination of a Material Contract; (d) the existence of any Default or Event of Default;
(e) any judgment in an amount exceeding $150,000; (f) any violation or asserted violation of any applicable Law (including ERISA, OSHA, FLSA, or any Environmental Laws), if an adverse resolution could have a Material Adverse Effect; (g) the occurrence of any ERISA Event; (h) any proposed modification to any License or entry into a new License in each case at least thirty (30) days prior to its effective date or any default or breach asserted by any Person to have occurred under any License; (i) the discharge of or any withdrawal or resignation by Borrowers' independent accountants; (j) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) or
(d) of such certification; or (k) any Material Amendment with respect to an Eligible Advance.

9.1.5.Compliance with Laws. Comply with all applicable laws, including ERISA, Environmental Laws, FLSA, OSHA, Anti-Terrorism Laws, and laws regarding collection and payment of Taxes, and maintain all Governmental Approvals necessary to the ownership of its Properties or conduct of its business, unless failure to comply (other than failure to comply with Anti-Terrorism Laws) or maintain could not reasonably be expected to have a Material Adverse Effect.

9.1.6.Taxes. Pay and discharge all Taxes prior to the date on which they become delinquent or penalties attach, unless such Taxes are being Properly Contested. If an Account of any Borrower includes a charge for any Taxes, Agent is authorized, in its discretion, to pay the amount thereof to the proper taxing authority for the account of such Borrower and to charge Borrowers therefor; provided, however, that Agent shall not be liable for any Taxes that may be due from Borrowers or with respect to any Collateral.

9.1.7. Insurance.

(a) Maintain general liability insurance in amounts, with certificates and endorsements and with insurers (with a Best Rating of at least A+, unless otherwise approved by Agent in its discretion) satisfactory to Agent. All proceeds under each policy shall be payable to Agent. Unless Agent shall agree otherwise, each policy shall include satisfactory endorsements (i) showing Agent as lender's loss payee; (ii) requiring thirty
(30) days prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever; and (iii) specifying that the interest of Agent shall not be impaired or invalidated by any act or neglect of any Borrower or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Borrower fails to provide and pay for any insurance, Agent may, at its option, but shall not be required to, procure the insurance and charge Borrowers therefor. Each Borrower agrees to deliver to Agent, promptly as rendered, copies of all reports made to insurance companies. While no Event of Default exists, Borrowers may settle, adjust or compromise any insurance claim, as long as the proceeds are delivered to Agent. If an Event of Default exists, only Agent shall be authorized to settle, adjust and compromise such claims. Notwithstanding the foregoing, the delivery to Agent of any such satisfactory

certificates and endorsements shall not be required until the date that is thirty (30) days following the Restatement Date.

(b) Borrower shall obtain and maintain a policy of key-man life insurance on Anthony Cappell and Andreas Bodmeier each in a minimum amount of One Million Dollars ($1,000,000), each such policy to be in form and substance satisfactory to Agent and assigned to Agent as collateral security for the Obligations on the terms and conditions of a Collateral Assignment of Insurance in form and substance reasonably satisfactory to Agent.

9.1.8. Licenses. Keep each License affecting any Collateral (including the manufacture, distribution or disposition of Inventory) or any other material Property of Borrowers and Subsidiaries in full force and effect and pay all Royalties when due.

9.1.9. Deposit Accounts; Depository Bank. Take all actions necessary to establish Agent's control of each such Deposit Account (other than an account exclusively used for payroll, payroll taxes or employee benefits, or an account containing not more than $10,000 at any time). Each Borrower shall be the sole account holder of each Deposit Account and shall not allow any other Person (other than Agent) to have control over a Deposit Account or any Property deposited therein. Except as otherwise consented to by Agent in writing, in its sole and absolute discretion, Borrowers shall utilize [***] Bank (or, if [***] Bank is no longer the Agent, such other institution as is reasonably acceptable to the Agent, or if there is no Agent, then the Required Lenders) as its primary bank of account and depository for all financial services, including all receivables, disbursements, cash management and related services. Each Borrower shall promptly notify Agent of any opening or closing of a Deposit Account and, with the consent of Agent, will amend Schedule 9.1.9 to reflect same. Borrowers also shall maintain [***] Bank (or, if [***] Bank is no longer the Agent, such other institution as is reasonably acceptable to the Agent, or if there is no Agent, then the Required Lenders) as its principal depository bank, including for the maintenance of all operating, collection, disbursement and other deposit accounts and for all Cash Management Services.

9.1.10. Other Collateral Covenants. Comply with the following additional covenants related to Collateral:

(a) All tangible items of Collateral shall at all times be kept by Borrowers at the business locations set forth in Schedule 9.1.10, except that Borrowers may (a) make sales or other dispositions of Collateral in accordance with Section 9.2.6; and (b) move Collateral to another location in the United States, upon thirty (30) Business Days prior written notice to Agent.

(b) Whether or not a Default or Event of Default exists, Agent shall have the right at any time, in the name of Agent, any designee of Agent or any Borrower, to verify the validity, amount or any other matter relating to any Accounts of Borrowers by mail, telephone or otherwise. Borrowers shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

(c) All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes payable with respect to any Collateral (including any sale thereof), and all other payments required to be made by Agent to any Person to realize upon any Collateral, shall be borne and paid by Borrowers. Agent shall not be liable or responsible in any way for the safekeeping of any Collateral, for any loss or damage thereto (except for reasonable care in its custody while Collateral is in Agent's actual possession), for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency or other Person whatsoever, but the same shall be at Borrowers' sole risk.

(d) Each Borrower shall defend its title to Collateral and Agent's Liens therein against all Persons, claims and demands, except Permitted Liens.

(e) Each Borrower shall ensure that the Equipment is mechanically and structurally sound, and capable of performing the functions for which it was designed, in accordance with manufacturer specifications.

(f) Upon request, each Borrower shall provide Agent with copies of all existing agreements, and promptly after execution thereof provide Agent with copies of all future agreements, between an Obligor and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral.

(g) Borrowers shall use, store and maintain all Inventory with reasonable care and caution, in accordance with applicable standards of any insurance and in conformity with all applicable Law, and shall make current rent payments (within applicable grace periods provided for in leases) at all locations where any Collateral is located.

9.1.11.OFAC. No Borrower, Subsidiary, or any director, officer, employee, agent, affiliate or representative thereof, is or is owned or controlled by any individual or entity that is currently the subject or target of any Sanction or is located, organized or resident in a Designated Jurisdiction.

9.1.12.Exemption as Investment Company. No Obligor shall be required to register as an "investment company" pursuant to the Investment Company Act of 1940.

9.2.Negative Covenants. As long as any Commitment or Obligations are outstanding, each Borrower shall not, and shall cause each Subsidiary not to:

9.2.1.Permitted Debt. Create, incur, guarantee or suffer to exist any Debt except: (a) the Obligations; (b) [reserved]; (c) Purchase Money Debt of Borrowers and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount does not exceed $10,000 at any time and its incurrence does not violate Section 9.2.3; (d) Bank Product Debt incurred in the Ordinary Course of Business, in aggregate amount not to exceed $2,000,000 outstanding at any time; (e) Contingent Obligations (i) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business;

(ii) arising from Hedging Obligations permitted pursuant to Section 9.2.15; (iii) existing on the Restatement Date and shown on Schedule 9.2.1, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed; (iv) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations; (v) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Equipment permitted hereunder; or (vi) arising under the Loan Documents; and (f) Debt that is not included in any of the preceding clauses of this Section, is not secured by a Lien and does not exceed $100,000 in the aggregate at any time.

9.2.2. Permitted Liens. Create or suffer to exist any Lien upon any of its Property, except the following (collectively, "Permitted Liens"): (a) Liens in favor of Agent;
(b) Purchase Money Liens securing Purchase Money Debt that is permitted under Section 9.2.1(c);
(c) Liens for Taxes not yet due or being Properly Contested; (d) statutory Liens (other than Liens for Taxes or imposed under ERISA) arising in the Ordinary Course of Business, but only if
(i) payment of the obligations secured thereby is not yet due or is being Properly Contested, and
(j) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Borrower or Subsidiary; (e) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to Agent's Liens and are required or provided by Law; (f) Liens arising in the Ordinary Course of Business that are subject to Lien Waivers; (g) Liens arising by virtue of a judgment or judicial order against any Borrower or Subsidiary, or any Property of a Borrower or Subsidiary, as long as such Liens are (i) in existence for less than twenty (20) consecutive days or being Properly Contested, and (ii) at all times junior to Agent's Liens; (h) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances on Real Estate, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business; (i) normal and customary rights of setoff upon deposits in favor of depository institutions, and Liens of a collecting bank on Payment Items in the course of collection; and
(k) existing Liens shown on Schedule 9.2.2.

9.2.3. Capital Expenditures. Make Capital Expenditures in excess of $150,000 in the aggregate during any Fiscal Year.

9.2.4. Distributions; Upstream Payments. Declare or make any Distributions, except a Distribution (i) by a Subsidiary of a Borrower to such Borrower; or create or suffer to exist any encumbrance or restriction on the ability of a Subsidiary to make any Distribution to a Borrower, except for restrictions under the Loan Documents, (ii) so long as no Default or Event of Default exists or would result therefrom, by Borrower to CAREF, (iii) by Borrower to CAREF, solely to the extent necessary for CAREF to maintain its REIT status and to avoid federal tax of its income or (iv) as otherwise approved in writing by Agent and Required Lenders.

9.2.5. Restricted Investments. Make any Restricted Investment.

9.2.6. Disposition of Assets. Sell, lease, license, consign, transfer or otherwise dispose of any Property of an Obligor or a Subsidiary of an Obligor, including a disposition of Property in connection with a sale-leaseback transaction or synthetic lease, except (a) so long as no Default or Event of Default exists or would result therefrom, and all Net Proceeds are remitted to Agent to the extent required by the terms hereof, a disposition of Property of an Obligor that is a disposition of Equipment that, in the aggregate during any 12 month period, has a fair market or book value (whichever is more) of $150,000 or less; (b) replacement of Equipment that is worn, damaged or obsolete with Equipment of like function and value, if the replacement Equipment is acquired substantially contemporaneously with such disposition and is free of Liens; (c) a transfer of Property by a Subsidiary or Obligor to a Borrower; (d) any sale, transfer or other disposition of Advances that are not Eligible Advances, so long as (i) no Default or Event of Default exists or would result therefrom, (ii) such sale, transfer or other disposition is upon terms no less favorable than would be obtained in an arm's-length transaction and the Borrower receives fair market value for such Advance and (iii) to the extent there exists an Overadvance, all proceeds of such sale, transfer or other disposition are used to prepay the outstanding Loans in accordance with the terms hereof (without resulting in a permanent reduction in the Commitments); and (e) any sale, transfer or other disposition of Advances that are Eligible Advances, so long as, (i) there exists no Overadvance and after giving effect to such sale, transfer or other disposition, Revolver Usage does not exceed the Borrowing Base, (ii) no Default or Event of Default exists or would result therefrom and (iii) such sale, transfer or other disposition is upon terms no less favorable than would be obtained in an arm's-length transaction and the Borrower receives fair market value for such Eligible Advance.

9.2.7. [Reserved].

9.2.8.Restrictions on Payment of Certain Debt. Make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance or acquisition) with respect to any (a) Subordinated Debt, except to the extent expressly permitted under any subordination agreement relating to such Debt (and a Senior Officer of Borrower Agent shall certify to Agent, not less than five (5) Business Days prior to the date of payment, that all conditions under such agreement have been satisfied); or (b) Borrowed Money (other than the Obligations).

9.2.9.Fundamental Changes. Change its name or conduct business under any fictitious name; change its tax, charter or other organizational identification number; change its form or state of organization; liquidate, wind up its affairs or dissolve itself; consummate a Division/Series Transaction; or merge, combine or consolidate with any Person, whether in a single transaction or in a series of related transactions, except for mergers or consolidations of a wholly-owned Subsidiary with another wholly-owned Subsidiary or into a Borrower.

9.2.10.Subsidiaries. Form or acquire any Subsidiary after the Restatement Date or permit any existing Subsidiary to issue any additional Equity Interests except directors' qualifying shares (for the avoidance of doubt, CAL hereby certifies that it has no Subsidiaries as of the Restatement Date).

9.2.11.Organic Documents. Amend, modify or otherwise change any of its Organic Documents, except in connection with a transaction permitted under Section 9.2.9.

9.2.12.Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Borrowers and Subsidiaries.

9.2.13.Accounting Changes. Make any material change in accounting treatment or reporting practices, except as required by GAAP and in accordance with Section 1.2; or change its Fiscal Year.

9.2.14.Restrictive Agreements. Become a party to any Restrictive Agreement, except a Restrictive Agreement (a) in effect on the Restatement Date and listed on Schedule 8.1.14; (b) relating to secured Debt permitted hereunder, as long as the restrictions apply only to collateral for such Debt; or (c) constituting customary restrictions on assignment in leases and other contracts.

9.2.15.Hedging Agreements. Enter into any Hedging Agreement, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

9.2.16.Conduct of Business. Engage in any business, other than its business as conducted on the Restatement Date and any activities incidental thereto.

9.2.17.Affiliate Transactions. Enter into or be party to any transaction with an Affiliate, including any intercompany transfers of assets or liabilities, except (a) transactions expressly permitted by the Loan Documents; (b) payment of reasonable compensation to officers and employees for services actually rendered, and payment of customary directors' fees and indemnities; (c) transactions with Affiliates in the Ordinary Course of Business (including those consummated prior to the Restatement Date and shown on Schedule 9.2.17) so long as such transactions are upon fair and reasonable terms fully disclosed to Agent and no less favorable than would be obtained in a comparable arm's-length transaction with a non-Affiliate and (d) any assignment, transfer or other disposition permitted by clause (e) of Section 9.2.6.

9.2.18. Plans. Become party to any Multiemployer Plan or Foreign Plan.

9.2.19.Subordinated Debt. Incur any Subordinated Debt or amend, supplement or otherwise modify any document, instrument or agreement relating to any Subordinated Debt, if such modification (a) increases the principal balance of such Debt, or increases any required payment of principal or interest; (b) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions; (c) shortens the final maturity date or otherwise accelerates amortization; (d) increases the interest rate;
(e) increases or adds any fees or charges; or (f) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Borrower or Subsidiary, or that is otherwise materially adverse to any Borrower, any Subsidiary or Lenders.

9.2.20.Affixed Equipment. No Borrower shall permit any Equipment to become affixed to real Property unless any landlord or mortgagee delivers a Lien Waiver.

9.2.21.Borrower's Loan Policy. Amend, supplement or otherwise modify Borrower's Loan Policy without the prior written approval of Agent.

9.2.22.Assignment of Mortgage. During the existence of an Event of Default, within two (2) Business Days after Agent's request therefor, each Borrower shall deliver to Agent a fully executed and notarized original Assignment of Mortgage for any mortgage, deed of trust or deed for secured debt granted to such Borrower specifically by name and securing an Eligible Advance.

9.3.Financial Covenants. As long as any Commitment or Obligations are outstanding, Borrowers shall:

9.3.1.Debt Service Coverage Ratio. Commencing with the Fiscal Quarter ending as of December 31, 2021 and as of the last day of each Fiscal Quarter thereafter, maintain a trailing twelve month Debt Service Coverage Ratio of greater than 1.35 to 1.00 as of the end of each Fiscal Quarter.

9.3.2. Leverage Ratio. Maintain, at all times, a Leverage Ratio not greater than 1.50 to 1.00.

SECTION 10. EVENTS OF DEFAULT; REMEDIES ON DEFAULT

10.1.Events of Default. Each of the following shall be an "Event of Default" if it occurs for any reason whatsoever, whether voluntary or involuntary, by operation of law or otherwise:

(a) Any Borrower fails to pay (i) any principal amount or interest of any Loan when due (whether at stated maturity, on demand, upon acceleration or otherwise) or (ii) any other Obligation within three (3) Business Days after the date such payment is due (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of an Obligor made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) A Borrower breaches or fail to perform any covenant contained in Section 5.5, 5.7, 7.2, 7.4, 7.6, 9.1.1, 9.1.2, 9.1.3, 9.1.4(d), 9.1.7, 9.1.10, 9.2 or 9.3;

(d) An Obligor breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within fifteen (15) days after a Senior Officer of such Obligor has knowledge thereof or receives notice thereof from Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by an Obligor;

(e) A Guarantor repudiates, revokes or attempts to revoke its Guaranty; an Obligor or third party denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to Agent; or any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by Agent, Required Lenders or all Lenders, as applicable, provided in accordance with the terms hereof);

(f) Any breach or default of an Obligor occurs under (i) any Hedging Agreement; or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound, relating to any Debt (other than the Obligations) in excess of
$150,000, if the maturity of or any payment with respect to such Debt may be accelerated or demanded due to such breach;

(g) Any judgment or order for the payment of money is entered against an Obligor in an amount that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Obligors, $250,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect, by reason of a pending appeal or otherwise;

(h) Any entity within the Sponsor Group shall not be substantially involved in the day-to-day operations of the Borrowers, as determined by the Agent in its Permitted Discretion exercised in good faith, for a period of more than thirty (30) calendar days;

(i) An Obligor is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business; an Obligor suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business; there is a cessation of any material part of an Obligor's business for a material period of time; any material Collateral or Property of an Obligor is taken or impaired through condemnation; an Obligor agrees to or commences any liquidation, dissolution or winding up of its affairs; or an Obligor is not Solvent;

(j) (i) An Insolvency Proceeding is commenced by an Obligor;
(ii) an Obligor makes an offer of settlement, extension or composition to its unsecured creditors generally; (iii) a trustee is appointed to take possession of any substantial Property of or to operate any of the business of an Obligor; or (iv) an Insolvency Proceeding is commenced against an Obligor and the Obligor consents to institution of the proceeding, the petition commencing the proceeding is not timely contested by the Obligor, the petition is not dismissed within thirty (30) days after filing, or an order for relief is entered in the proceeding;

(k) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of an Obligor to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan; an Obligor or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan; or any event similar to the foregoing occurs or exists with respect to a Foreign Plan;

(l) An Obligor or any of its Senior Officers is criminally indicted or convicted for (i) a felony committed in the conduct of the Obligor's business, or
(ii) violating any state or federal Law (including the Controlled Substances Act, Money

Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property or any Collateral; or

(m) A Change of Control occurs; or any event occurs or condition exists that has a Material Adverse Effect.

10.2.Remedies upon Default. If an Event of Default described in Section 10.1(j) occurs, then to the extent permitted by applicable Law, all Obligations shall become automatically due and payable and all Commitments shall terminate, without any action by Agent or notice of any kind. In addition, or if any other Event of Default exists, Agent may in its discretion (and shall upon written direction of Required Lenders) do any one or more of the following from time to time:

(a) declare any Obligations immediately due and payable, whereupon they shall be due and payable without diligence, presentment, demand, protest or notice of any kind, all of which are hereby waived by Borrowers to the fullest extent permitted by Law;

(b) terminate, reduce or condition any Commitment, or make any adjustment to the Borrowing Base;

(c) require Obligors to Cash Collateralize their LC Obligations, Bank Product Debt and other Obligations that are contingent or not yet due and payable, and, if Obligors fail to deposit such Cash Collateral with respect to any LC Obligations, Agent may advance the required Cash Collateral for any such LC Obligations as Revolver Loans pursuant to, and in accordance with, Section 2.2; and

(d) exercise any other rights or remedies afforded under any agreement, by Law, at equity or otherwise, including the rights and remedies of a secured party under the UCC. Such rights and remedies include the rights to (i) take possession of any Collateral; (ii) require Borrowers to assemble Collateral, at Borrowers' expense, and make it available to Agent at a place designated by Agent; (iii) enter any premises where Collateral is located and store Collateral on such premises until sold (and if the premises are owned or leased by a Borrower, Borrowers agree not to charge for such storage); and
(iv) sell or otherwise dispose of any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale, with such notice as may be required by applicable Law, in lots or in bulk, at such locations, all as Agent, in its discretion, deems advisable. Each Borrower agrees that ten (10) days' notice of any proposed sale or other disposition of Collateral by Agent shall be reasonable, and that any sale conducted on the internet or to a licensor of Intellectual Property shall be commercially reasonable. Agent may conduct sales on any Obligor's premises, without charge, and any sales may be adjourned from time to time in accordance with applicable Law. Agent shall have the right to sell, lease or otherwise dispose of any Collateral for cash, credit or any combination thereof, and Agent may purchase any Collateral at public or, if permitted by Law, private sale and, in lieu of actual payment of the purchase price, may set off the amount of such price against the Obligations.

For purposes of this Section 10.2, "Loan Documents" shall not include any rights of an Eligible Counterparty pursuant to a Lender Hedging Agreement and "Obligations" shall not include obligations pursuant to any Lender Hedging Agreement.

10.3.License. Agent is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person) any or all Intellectual Property of Borrowers, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other Property, in advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral. Each Borrower's rights and interests under Intellectual Property shall inure to Agent's benefit.

10.4.Setoff. At any time during an Event of Default, Agent, Issuing Bank, Lenders and any of their Affiliates are authorized, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by Agent, Issuing Bank, such Lender or such Affiliate to or for the credit or the account of an Obligor against its Obligations, whether or not Agent, Issuing Bank, such Lender or such Affiliate shall have made any demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or are owed to a branch or office of Agent, Issuing Bank, such Lender or such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of Agent, Issuing Bank, each Lender and each such Affiliate under this Section are in addition to other rights and remedies (including other rights of offset) that such Person may have.

10.5. Remedies Cumulative; No Waiver.

10.5.1.Cumulative Rights. All agreements, warranties, guaranties, indemnities and other undertakings of Obligors under the Loan Documents are cumulative and not in derogation of each other. The rights and remedies of Agent, Issuing Bank and Lenders under the Loan Documents are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and are not exclusive of any other rights or remedies available by agreement, by Law, at equity or otherwise. All such rights and remedies shall continue in full force and effect until Full Payment of all Obligations.

10.5.2.Waivers. No waiver or course of dealing shall be established by (a) the failure or delay of Agent, Issuing Bank or any Lender to require strict performance by any Obligor under any Loan Document, or to exercise any rights or remedies with respect to Collateral or otherwise; (b) the making of any Loan or issuance of any Letter of Credit during a Default, Event of Default or other failure to satisfy any conditions precedent; or (c) acceptance by Agent, Issuing Bank or any Lender of any payment or performance by an Obligor under any Loan Documents in a manner other than that specified therein. Any failure to satisfy a financial covenant on a measurement date shall not be cured or remedied by satisfaction of such covenant on a subsequent date.

10.6. Right to Cure Certain Covenant Violations.

10.6.1.Notwithstanding anything to the contrary contained in Section 10.1(c), if Borrower fails to comply with the requirements of any covenant set forth in Section 9.3 (each, a "Financial Covenant"), then, from the end of the Fiscal Quarter or date, as the case may be, for which such non-compliance occurred until the tenth Business Day after the date on which financial statements are required to be delivered pursuant to clause (c) of Exhibit F (each such period, a "Financial Covenant Cure Period"), Guarantor shall have the right, upon two (2) Business Days' prior written notice to Agent, to (i) make cash capital contributions to CAL in an amount that, if added to EBITDA for the relevant testing period, would have been sufficient to cause compliance with such Financial Covenant for such period (each, a "Financial Covenant Equity Cure") (for the avoidance of doubt, nothing in this Section 10.6.1 shall prevent Borrower from receiving capital contributions in an aggregate amount in excess of the amount sufficient to cause compliance with such Financial Covenant for the relevant testing period; provided that such excess shall not be added to EBITDA for the purpose of calculating compliance with such Financial Covenant or any other purpose), and provided, that:

(a) Guarantor shall not be entitled to exercise the Financial Covenant Equity Cure more than four times in the aggregate after the Restatement Date;

(b) in each period of four consecutive Fiscal Quarters, there shall be a period of at least two consecutive Fiscal Quarters in which no Financial Covenant Equity Cure shall have been made;

(c) the aggregate amount of cash capital contributions made to CAL in any one exercise of a Financial Covenant Cure shall not be greater than $250,000;

(d) the aggregate amount of cash capital contributions made to CAL in the exercise of Financial Covenant Cures in the aggregate during the term of this Agreement shall not be greater than $1,000,000;

(e) upon receipt by Agent of evidence of the consummation of the Financial Covenant Equity Cure (which evidence shall be in form and substance reasonably satisfactory to Agent and shall be received by Agent no more than one (1) Business Day following the consummation of such Financial Covenant Equity Cure), no Default or Event of Default shall be deemed to exist pursuant to the applicable Financial Covenant (and any such Default or Event of Default shall be retroactively considered not to have existed or occurred). If the Financial Covenant Equity Cure is not consummated within the applicable Financial Covenant Cure Period, each such Default or Event of Default shall be deemed reinstated; and

(f) the cash amount received by Borrower pursuant to exercise of the right to make a Financial Covenant Equity Cure shall be added to EBITDA for purposes of recalculating compliance with the applicable Financial Covenant for the applicable period (the "Subject Period") solely for purposes of recalculating compliance with the applicable Financial Covenant for such period and any subsequent period that includes the Subject Period (and disregarded for purposes of the calculation of EBITDA for all other purposes, including calculating basket levels, the determination of pricing and other items governed by reference to EBITDA in this Agreement or the other Loan Documents).

10.7.Application of Payments and Proceeds. Upon the occurrence and during the continuance of an Event of Default and after the acceleration of the principal amount of any of the Loans, all payments and proceeds in respect of any of the Obligations received by the Agent or any other Secured Party under any Loan Document, including any proceeds of any sale of, or other realization upon, all or any part of the Collateral or the Collateral, shall, subject to Section 4.2, be applied by the Agent as follows:

(i) first, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to the Agent (in its capacity as such) with respect to this Agreement, the other Loan Documents or the Collateral, including any Protective Advances made by the Agent pursuant to, and in accordance with, Section 2.2;

(ii) second, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to any other Secured Party with respect to this Agreement, the other Loan Documents or the Collateral;

(iii) third, to accrued and unpaid interest on the Obligations (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts);

(iv) fourth, to the principal amount of the Obligations, including to Cash Collateralize existing obligations with respect to LC Obligations in compliance with Section 2.3.3, and, an amount up to $6,500,000.00, to the Obligations owing to any counterparty in respect of any Lender Hedging Agreement;

(v) fifth, to any other Obligations owing to the Agent or any other Secured Party under the Loan Documents and to the remaining Obligations owing to any counterparty in respect of any Lender Hedging Agreement; and

(vi) sixth, to the payment of the surplus (if any) to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (b) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category. Excluded Swap Obligations with respect to any Obligor shall not be paid with amounts received from such Obligor or its assets, but appropriate adjustments shall be made with respect to such payments from other Obligors to preserve the allocation to the Obligations set forth above in this Section 10.7.

SECTION 11. AGENT

11.1. Appointment, Authority and Duties of Agent.

11.1.1. Appointment and Authority. Each Secured Party appoints and designates [***] Bank as Agent under all Loan Documents. Agent may, and each Secured Party authorizes Agent to, enter into all Loan Documents to which Agent is intended to be a party and accept all Security Documents. Any action taken by Agent in accordance with the provisions of the Loan Documents, and the exercise by Agent of any rights or remedies set forth therein, together with all other powers reasonably incidental thereto, shall be authorized by and binding upon all Secured Parties. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive authority to (a) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with the Loan Documents; (b) execute and deliver as Agent each Loan Document, including any intercreditor or subordination agreement, and accept delivery of each Loan Document; (c) act as collateral agent for Secured Parties for purposes of perfecting and administering Liens under the Loan Documents, and for all other purposes stated therein; (d) manage, supervise or otherwise deal with Collateral; and (e) take any Enforcement Action or otherwise exercise any rights or remedies with respect to any Collateral or under any Loan Documents, applicable Law or otherwise. Agent alone is authorized to determine eligibility and applicable advance rates under the Borrowing Base, whether to impose or release any reserve, or whether any conditions to funding or issuance of a Letter of Credit have been satisfied, which determinations and judgments, if exercised in good faith, shall exonerate Agent from liability to any Secured Party or other Person for any error in judgment.

11.1.2. Duties. The title of "Agent" is used solely as a matter of market custom and the duties of Agent are administrative in nature only. Agent has no duties except those expressly set forth in the Loan Documents, and in no event does Agent have any agency, fiduciary or implied duty to or relationship with any Secured Party or other Person by reason of any Loan Document or related transaction, even if a Default exists. The conferral upon Agent of any right shall not imply a duty to exercise such right, unless instructed to do so by Lenders in accordance with this Agreement.

11.1.3. Agent Professionals. Agent may perform its duties through employees and agents. Agent may consult with and employ Agent Professionals, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by an Agent Professional. Agent shall not be responsible for the negligence or misconduct of any agents, employees or Agent Professionals selected by it with reasonable care.

11.1.4. Instructions of Required Lenders. The rights and remedies conferred upon Agent under the Loan Documents may be exercised without the necessity of joining any other party, unless required by Applicable Law. In determining compliance with a condition for any action hereunder, including satisfaction of any condition in Section 6, Agent may presume that the condition is satisfactory to a Secured Party unless Agent has received notice to the contrary from such Secured Party before Agent takes the action. Agent may request instructions from Required Lenders or other Secured Parties with respect to any act (including the failure to act) in connection with any Loan Documents or Collateral, and may seek assurances to its satisfaction from Secur7e0d Parties of their indemnification obligations against Claims that could be incurred by

Agent. Agent may refrain from any act until it has received such instructions or assurances, and shall not incur liability to any Person by reason of so refraining. Instructions of Required Lenders shall be binding upon all Secured Parties, and no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting pursuant to instructions of Required Lenders. Notwithstanding the foregoing, instructions by and consent of specific parties shall be required to the extent provided in Section 13.1.1. In no event shall Agent be required to take any action that it determines in its discretion is contrary to applicable Law or any Loan Documents or could expose any Indemnitee to potential liability.

11.2. Agreements Regarding Collateral and Borrower Materials.

11.2.1. Lien Releases; Care of Collateral. Secured Parties authorize Agent to release any Lien on any Collateral (a) upon Full Payment of the Obligations; (b) that is the subject of a disposition or Lien that Borrowers certify in writing is a Permitted Disposition or a Permitted Lien entitled to priority over Agent's Liens (and Agent may rely conclusively on such certificate without further inquiry); (c) that does not constitute a material part of the Collateral; or (d) subject to Section 13.1, with the consent of Required Lenders, affected Lenders or all Lenders, as applicable hereunder. Secured Parties authorize Agent to subordinate its Liens to any Purchase Money Lien or other Lien entitled to priority hereunder. Agent has no obligation to assure that any Collateral exists or is owned by an Obligor, or is cared for, protected or insured, nor to assure that Agent's Liens have been properly created, perfected or enforced, or are entitled to any particular priority, nor to exercise any duty of care with respect to any Collateral. To the extent required under the laws of any foreign jurisdiction, each Secured Party hereby grants to Agent any required power of attorney to take any action with respect to Collateral or to execute any Loan Document on the Secured Party's behalf.

11.2.2. Possession of Collateral. Agent and Secured Parties appoint each Secured Party as agent (for the benefit of Secured Parties) for the purpose of perfecting Liens in Collateral held or controlled by it, to the extent such Liens are perfected by possession or control. If a Secured Party obtains possession or control of any Collateral, it shall notify Agent thereof and, promptly upon Agent's request, deliver such Collateral to Agent or otherwise deal with it in accordance with Agent's instructions.

11.2.3. Reports. Agent shall promptly provide to Lenders, when complete, any field examination, audit, appraisal or consultant report prepared for Agent with respect to any Obligor or Collateral ("Report"). Reports and other Borrower Materials may be made available to Lenders by posting them on the Platform, but Agent shall not be responsible for system failures or access issues that may occur from time to time. Each Lender agrees (a) that Reports are not intended to be comprehensive audits or examinations, and that Agent or any other Person performing an audit or examination will inspect only limited information and will rely significantly upon Borrowers' books, records and representations; (b) that Agent makes no representation or warranty as to the accuracy or completeness of any Borrower Materials and shall not be liable for any information contained in or omitted from any Borrower Materials; and (c) to keep all Borrower Materials confidential and strictly for such Lender's internal use, not to distribute any Report or other Borrower Materials (or contents thereof) to any Person (except to such Lender's Participants, attorneys and accountants), and to use all Borrower Materials solely for administration of the

Obligations. Each Lender shall indemnify and hold harmless Agent and any other Person preparing a Report from any action such Lender may take as a result of or any conclusion it may draw from any Borrower Materials, as well as from any Claims arising as a direct or indirect result of Agent furnishing same to such Lender, via the Platform or otherwise.

11.3.Reliance by Agent. Agent shall be entitled to rely, and shall be fully protected in relying, upon any Communication (including those by telephone, telex, telegram, telecopy, e-mail or other electronic means) believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. Agent shall have a reasonable and practicable amount of time to act on any Communication and shall not be liable for any delay in acting.

11.4.Action Upon Default. Agent shall not be deemed to have knowledge of any Default or Event of Default, or of any failure to satisfy any conditions in Section 6, unless it has received written notice from a Borrower or Required Lenders specifying the occurrence and nature thereof. If a Lender acquires knowledge of a Default, Event of Default or failure of such conditions, it shall promptly notify Agent and the other Lenders thereof in writing. Each Secured Party agrees that, except as otherwise provided in any Loan Documents or with the written consent of Agent and Required Lenders, it will not take any Enforcement Action, accelerate Obligations or assert any rights relating to any Collateral.

11.5.Ratable Sharing. If any Lender obtains any payment or reduction of any Obligation, whether through set-off or otherwise, in excess of its ratable share of such Obligation, such Lender shall forthwith purchase from Secured Parties participations in the affected Obligation as are necessary to share the excess payment or reduction on a Pro Rata basis. If any of such payment or reduction is thereafter recovered from the purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Notwithstanding the foregoing, if a Defaulting Lender obtains a payment or reduction of any Obligation, it shall immediately turn over the full amount thereof to Agent for application under Section 4.2.2 and it shall provide a written statement to Agent describing the Obligation affected by such payment or reduction. No Lender shall set off against a Dominion Account without Agent's prior consent.

11.6.Indemnification. **EACH SECURED PARTY SHALL INDEMNIFY AND HOLD HARMLESS AGENT AND ITS OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES, AGENTS, REPRESENTATIVES, CONSULTANTS AND ATTORNEYS (COLLECTIVELY REFERRED TO HEREIN AS "AGENT INDEMNITEES"), TO THE EXTENT NOT REIMBURSED BY OBLIGORS, SEVERALLY AND ON A PRO RATA BASIS, AGAINST ALL CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST AGENT INDEMNITEES; PROVIDED THAT ANY CLAIM AGAINST AN AGENT INDEMNITEE RELATES TO OR ARISES FROM ITS ACTING AS OR FOR AGENT (IN THE CAPACITY OF AGENT); PROVIDED, FURTHER, THAT NO SECURED PARTY SHALL BE LIABLE TO AGENT OR ANY AGENT INDEMNITEES TO THE EXTENT SUCH CLAIM OR LIABILITY HAS RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF AGENT OR, AS THE CASE MAY BE, SUCH AGENT INDEMNITEE, AS DETERMINED BY A COURT OF COMPETENT JURISDICTION IN A FINAL NON-APPEALABLE JUDGMENT OR ORDER.** In Agent's discretion, it may reserve for any Claims made against an Agent Indemnitee, and may satisfy any judgment, order or settlement relating thereto, from proceeds of Collateral prior to making any distribution of Collateral proceeds to Secured Parties. If Agent is sued by any receiver, trustee or other Person for any alleged preference or fraudulent transfer relating to the Obligations or the Collateral, then any monies paid by Agent in settlement or satisfaction of such proceeding, together with all interest, costs and expenses (including attorneys' fees) incurred in the defense of same, shall be promptly reimbursed to Agent by each Secured Party (to the extent not reimbursed by Obligors) severally and to the extent of its Pro Rata share.

11.7.Limitation on Responsibilities of Agent. Agent shall not be liable to any Secured Party for any action taken or omitted to be taken under the Loan Documents, except for losses directly and solely caused by Agent's gross negligence or willful misconduct. Agent does not assume any responsibility for any failure or delay in performance or any breach by any Obligor, Lender or other Secured Party of any obligations under the Loan Documents. Agent does not make any express or implied representation, warranty or guarantee to Secured Parties with respect to any Obligations, Collateral, Liens, Loan Documents or Obligor. No Indemnitee shall be responsible to Secured Parties for any recitals, statements, information, representations or warranties contained in any Loan Documents or Borrower Materials; the execution, validity, genuineness, effectiveness or enforceability of any Loan Documents; the genuineness, enforceability, collectability, value, sufficiency, location or existence of any Collateral, or the validity, extent, perfection or priority of any Lien therein; the validity, enforceability or collectability of any Obligations; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor or Account Debtor. No Indemnitee shall have any obligation to any Secured Party to ascertain or inquire into the existence of any Default or Event of Default, the observance by any Obligor of any terms of the Loan Documents, or the satisfaction of any conditions precedent contained in any Loan Documents.

11.8. Successor Agent and Co-Agents.

11.8.1.Resignation; Successor Agent. Agent may resign at any time by giving at least thirty (30) days written notice thereof to Lenders and Borrowers. Required Lenders may appoint a successor that is (a) a Lender or Affiliate of a Lender; or (b) a financial institution reasonably acceptable to Required Lenders and (provided no Event of Default exists) Borrowers. If no successor is appointed by the effective date of Agent's resignation, then on such date, Agent may appoint a successor acceptable to it in its discretion (which shall be a Lender unless no Lender accepts the role) and (provided no Event of Default exists) with the consent of Borrowers or, in the absence of such appointment, Required Lenders shall automatically assume all rights and duties of Agent. The successor Agent shall thereupon succeed to and become vested with all the powers and duties of the retiring Agent without further act. The retiring Agent shall be discharged from its duties hereunder on the effective date of its resignation, but shall continue to have all rights and protections available to Agent under the Loan Documents with respect to actions, omissions, circumstances or Claims relating to or arising while it was acting or transferring responsibilities as Agent or holding any Collateral on behalf of Secured Parties, including indemnification under Sections 11.6 and 13.3, and all rights and protections under this Section 11. Any successor to [***] Bank by merger or acquisition of stock or this loan shall continue to be Agent hereunder without further act on the part of any Secured Party or Obligor.

Notwithstanding anything to the contrary, any such successor Agent shall be an Eligible Assignee at the time of appointment.

11.8.2.Co-Collateral Agent. If appropriate under applicable Law, Agent may appoint a Person to serve as a co-collateral agent or separate collateral agent under any Loan Document. Each right, remedy and protection intended to be available to Agent under the Loan Documents shall also be vested in such agent. Secured Parties shall execute and deliver any instrument or agreement that Agent may request to effect such appointment. If any such agent shall die, dissolve, become incapable of acting, resign or be removed, then all the rights and remedies of the agent, to the extent permitted by applicable Law, shall vest in and be exercised by Agent until appointment of a new agent.

11.9.Due Diligence and Non-Reliance. Each Lender acknowledges and agrees that it has, independently and without reliance upon Agent or any other Lenders, and based upon such documents, information and analyses as it has deemed appropriate, made its own credit analysis of each Obligor and its own decision to enter into this Agreement and to fund Loans and participate in LC Obligations hereunder. Each Secured Party has made such inquiries as it feels necessary concerning the Loan Documents, Collateral and Obligors. Each Secured Party acknowledges and agrees that the other Secured Parties have made no representations or warranties concerning any Obligor, any Collateral or the legality, validity, sufficiency or enforceability of any Loan Documents or Obligations. No act by Agent, including any consent, amendment, acceptance of assignment or due diligence by Agent, shall be deemed to constitute a representation by Agent to any Secured Party as to any matter, including whether Agent has disclosed material information in its possession. Each Secured Party will, independently and without reliance upon any other Secured Party, and based upon such financial statements, documents and information as it deems appropriate at the time, continue to make and rely upon its own credit decisions in making Loans and participating in LC Obligations, and in taking or refraining from any action under any Loan Documents. Except for notices, reports and other information expressly requested by a Lender, Agent shall have no duty or responsibility to provide any Secured Party with any notices, reports or certificates furnished to Agent by any Obligor or any credit or other information concerning the affairs, financial condition, business or Properties of any Obligor (or any of its Affiliates) which may come into possession of Agent or its Affiliates. Each Lender represents and warrants that
(a) the Loan Documents set forth the terms of a commercial lending facility, and (b) it is engaged in making, acquiring or holding commercial loans in the ordinary course, is sophisticated with respect to making such decisions and holding such loans, and is entering into this Agreement for the purpose of making, acquiring or holding commercial loans and providing other facilities as set forth herein, and not for the purpose of purchasing, acquiring or holding any other type of financial instrument. Each Lender agrees not to assert any claim in contravention of the foregoing.

11.10. Remittance of Payments and Collections.

11.10.1.Remittances Generally. Payments by any Secured Party to Agent shall be made by the time and date provided herein, in immediately available funds. If no time for payment is specified or if payment is due on demand and request for payment is made by Agent by 1:00 p.m. on a Business Day, then payment shall be made by the applicable Secured Party by 5:00 p.m. on the next Business Day following receipt of such request, and if request is made after

1:00 p.m., then payment shall be made by 1:00 p.m. on the second Business Day following receipt of such request. Payment by Agent to any Secured Party shall be made by wire transfer, in the type of funds received by Agent. Any such payment shall be subject to Agent's right of offset for any amounts due from such payee under the Loan Documents.

11.10.2.Recovery of Erroneous Payments. Without limitation of any other provision herein, if at any time Agent makes a payment hereunder in error to any Secured Party, whether or not in respect of an Obligation due and owing by Borrowers at such time ("Rescindable Amount"), then in any such event each Secured Party receiving the Rescindable Amount severally agrees to repay to Agent, forthwith on demand made by the Agent within ninety (90) days of the date the Agent shall have made such payment to such Secured Party, the Rescindable Amount received by such Secured Party in immediately available funds in the currency so received, with interest thereon for each day from and including the date such Rescindable Amount is received by such Secured Party to but excluding the date of repayment to Agent, at the Federal Funds Rate. Each Secured Party irrevocably waives any and all defenses, including any defense of discharge for value (under which a creditor might otherwise claim a right to retain funds mistakenly paid by a third party in respect of a debt owed by another) or similar defense to its obligation to return any Rescindable Amount. Agent shall inform each Secured Party promptly upon determining that any payment made to such Secured Party was comprised, in whole or in part, of a Rescindable Amount.

11.10.3.Distributions. If Agent determines that an amount received by it must be returned or paid to an Obligor or other Person pursuant to applicable Law or otherwise, then Agent shall not be required to distribute such amount to any Secured Party.

11.11.Individual Capacities. As a Lender, [***] Bank shall have the same rights and remedies under the Loan Documents as any other Lender, and the terms "Lenders," "Required Lenders" or any similar term shall include [***] Bank in its capacity as a Lender. Agent, Lenders and their Affiliates may accept deposits from, lend money to, provide Bank Products to, act as financial or other advisor to, and generally engage in any kind of business with, Obligors and their Affiliates, as if they were not Agent or Lenders hereunder, without any duty to account therefor to any Secured Party. In their individual capacities, Agent, Lenders and their Affiliates may receive information regarding Obligors, their Affiliates and their Account Debtors (including information subject to confidentiality obligations), and shall have no obligation to provide such information to any Secured Party.

11.12.Titles. Each Lender, other than [***] Bank, that is designated in connection with this credit facility as an "Arranger," "Joint Lead Arranger," "Observation Agent," "Bookrunner" or "Agent" of any kind shall have no right (other than, with respect to the Observation Agent, the rights specified in Section 11.14) or duty under any Loan Documents other than those applicable to all Lenders, and shall in no event have any fiduciary duty to any Secured Party, and no implied responsibilities, duties or obligations shall be construed to exist in this Agreement or any other Loan Document.

11.13. Certain ERISA Matters.

11.13.1.Lender Representations. Each Lender represents and warrants, as of the date it became a Lender party hereto, and covenants, from the date it became a Lender party hereto

to the date it ceases being a Lender party hereto, for the benefit of, Agent and not, for the avoidance of doubt, to or for the benefit of Obligors, that at least one of the following is and will be true:
(a) Lender is not using "plan assets" (within the meaning of ERISA Section 3(42) or otherwise) of one or more Benefit Plans with respect to Lender's entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments or Loan Documents; (b) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to Lender's entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Documents; (c) (i) Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (ii) such Qualified Professional Asset Manager made the investment decision on behalf of Lender to enter into, participate in, administer and perform the Loans, Letters of Credit, Commitments and Loan Documents, (iii) the entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Documents satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14, and (iv) to the best knowledge of Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to Lender's entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Documents; or (d) such other representation, warranty and covenant as may be agreed in writing between Agent, in its discretion, and Lender.

11.13.2.Further Lender Representations. Unless Section 11.13.1(a) or 11.13.1(d) is true with respect to a Lender, such Lender further represents and warrants, as of the date it became a Lender hereunder, and covenants, from the date it became a Lender to the date it ceases to be a Lender hereunder, for the benefit of, Agent and not, for the avoidance of doubt, to or for the benefit of any Obligor, that Agent is not a fiduciary with respect to the assets of such Lender involved in its entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Documents (including in connection with the reservation or exercise of any rights by Agent under any Loan Document).

11.14.Observation Agent Rights. Notwithstanding anything in this Agreement or any other Loan Document to the contrary:

(a) Observation Agent shall have the right to (to the same extent that Agent has the right to), jointly with Agent, (i) approve or reject all Appraisals and Appraised Value (and each of the components set forth in the definitions thereof), (ii) adjust and apply the Availability Reserve (and each of the components set forth in the definition thereof) and advance rates set forth in the definition of Borrowing Base (including, in accordance with Exhibit G), otherwise review and approve or reject Borrowing Base calculations, and determine which Advances (if any) qualify as Eligible Advances (including determination with respect to, or waiver of, any components set forth in the definition thereof) and which Real Estate (if any) qualifies as Eligible Real Estate (including determination with respect to any components set forth in the definition thereof), (iii) approve or reject any depository institution at which a Dominion Account and/or Deposit Accounts are maintained by all Borrowers, and (iv) approve or reject any modifications to, or deviations from, the Borrower's Loan Policy (a true, complete and correct copy of which shall be provided to the Observation Agent prior to the Restatement Date), in each case, if Agent is entitled to do so without the consent or input of Required Lenders, affected Lenders or all Lenders, as the case may be, including in instances where Agent has sole discretion, and Agent hereby agrees that any such action or decision shall be determined jointly by Agent and Observation Agent;

(b) Observation Agent shall receive (i) access to Borrowers' file management portal, including such files, reports and similar items as may be customarily stored on such system, and records of any Obligor as provided in clause (l) of Exhibit F and (ii) copies of all of the information and documents received by the Agent to the extent relating to any of the foregoing (including the information described in Exhibits F and G); and

(c) Observation Agent shall have (i) no powers under this Agreement or any of the other Loan Documents other than as set forth in this Section 11.14 and (ii) no duties, obligations, requirements or responsibilities under this Agreement or any of the other Loan Documents and no liability to any party hereto or any other Person for any action, or omission to act, hereunder or in connection herewith, the other Loan Documents, the Obligors, the Obligations or the Collateral.

To the extent Agent and Observation Agent disagree on, or otherwise do not come to a consensus, with respect to any issue requiring joint consent pursuant to Section 11.14(a), the vote of Required Lenders will be required to overcome such disagreement (or lack of consensus) prior to any related action is taken or decision is made, which action or decision shall be taken or made in accordance with such vote.

11.15.No Third Party Beneficiaries. This Section 11 is an agreement solely among Secured Parties and Agent, and shall survive Full Payment of the Obligations. This Section 11 does not confer any rights or benefits upon Borrowers or any other Person. As between Borrowers and Agent, any action that Agent may take under any Loan Documents or with respect to any Obligations shall be conclusively presumed to have been authorized and directed by Secured Parties.

SECTION 12. BENEFIT OF AGREEMENT; ASSIGNMENTS

12.1.Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrowers, Agent, Lenders, Secured Parties, and their respective successors and assigns, except that (a) no Obligor may assign or delegate its rights or obligations under any Loan Documents; and (b) any assignment by a Lender must be made in compliance with Section 12.3. Agent may treat the Person which made any Loan as the owner thereof for all purposes until such Person makes an assignment in accordance with Section 12.3. Any authorization or consent of a Lender shall be conclusive and binding on any subsequent transferee or assignee of such Lender.

12.2. Participations.

12.2.1. Permitted Participants; Effect. Subject to Section 12.3.3, any Lender may sell to a financial institution ("Participant") a participating interest in the rights and obligations of such Lender under any Loan Documents. Despite any sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, it shall remain solely responsible to the other parties hereto for performance of such obligations, it shall remain the holder of its Loans and Commitments for all purposes, all amounts payable by Borrowers shall be determined as if it had not sold such participating interests, and Borrowers and Agent shall continue to deal solely and directly with such Lender in connection with the Loan Documents (and, for the avoidance of doubt, a Participant shall not constitute a Lender hereunder). Each Lender shall be solely responsible for notifying its Participants of any matters under the Loan Documents, and Agent and the other Lenders shall not have any obligation or liability to any such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.8 unless Borrowers agree otherwise in writing. Notwithstanding the foregoing or anything in the Loan Documents to the contrary, [***] Bank shall not be considered a "Defaulting Lender" hereunder solely as a result of any Restatement Date Participant failing to fund its portion of the Restatement Date Commitment Increase or otherwise defaulting in its obligations as a Restatement Date Participant solely with respect to its portion of the Restatement Date Commitment Increase.

12.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, waiver or other modification of a Loan Document other than that which forgives principal, interest or fees, reduces the stated interest rate or fees payable with respect to any Loan or Commitment in which such Participant has an interest, postpones the maturity or any date fixed for any regularly scheduled payment of principal, interest or fees on such Loan or Commitment, or releases any Borrower, Guarantor or substantially all Collateral.

12.2.3. Participant Register. Each Lender that sells a participation shall, acting solely as a non-fiduciary agent of Borrowers, maintain a register in which it enters each Participant's name, address and the principal amounts (and stated interest) of each Participant's interest in the Commitments, Loans and LC Obligations under the Loan Documents ("Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, LC Obligations or any other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that a Participant's interest is in registered form under Section 5f.103-1(c) the United States Treasury Regulations. Entries in the Participant Register shall be conclusive, absent manifest error, and such Lender shall treat each Person recorded in the Participant Register as the owner of the participation for all purposes, notwithstanding any notice to the contrary. For the avoidance of doubt, the Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant Register.

12.2.4. Benefit of Setoff. To the extent permitted by law, each Participant shall have a right of set-off in respect of its participating interest to the same extent as if such interest were owing directly to a Lender, and each Lender shall also retain the right of set-off with respect to any participating interests sold by it. By exercising any right of set-off, a Participant agrees to share with Lenders all amounts received through its set-off, in accordance with Section 11.5 as if such Participant were a Lender.

12.3. Assignments.

12.3.1.Permitted Assignments. Subject to Section 12.3.3, a Lender may assign to an Eligible Assignee any of its rights and obligations under the Loan Documents, as long as
(a) each assignment is of a constant, and not a varying, percentage of the transferor Lender's rights and obligations under the Loan Documents and, in the case of a partial assignment, is in a minimum principal amount of $2,000,000 (unless otherwise agreed by Agent in its discretion) and integral multiples of $1,000,000 in excess of that amount; and (b) the parties to each such assignment shall execute and deliver an Assignment to Agent for acceptance and recording. Nothing herein shall limit the right of a Lender to pledge or assign any rights under the Loan Documents to secure obligations of such Lender, including a pledge or assignment to a Federal Reserve Bank; provided, that no such pledge or assignment shall release the Lender from its obligations hereunder nor substitute the pledgee or assignee for such Lender as a party hereto.

12.3.2.Effect; Effective Date. Upon delivery to Agent of a fully executed and completed Assignment accompanied by a processing fee of $3,500 (unless such assignment is to a Lender, Affiliate of a Lender or Approved Fund or otherwise agreed by Agent in its discretion), the assignment specified therein shall be effective as provided in the Assignment as long as it complies with this Section 12.3. From such effective date, the Eligible Assignee shall for all purposes be a Lender under the Loan Documents, and shall have all rights and obligations of a Lender thereunder. Upon consummation of an assignment, the transferor Lender, Agent and Borrowers shall make appropriate arrangements for issuance of replacement and/or new notes, if applicable. The transferee Lender shall comply with Section 5.9 and deliver, upon request, an administrative questionnaire satisfactory to Agent.

12.3.3.Certain Assignees. No assignment or participation may be made to a Borrower, Affiliate of a Borrower, Defaulting Lender, Disqualified Institution or one or more natural persons. Agent shall have no obligation to determine whether any assignment is permitted under the Loan Documents. Any assignment by a Defaulting Lender must be accompanied by satisfaction of its outstanding obligations under the Loan Documents in a manner reasonably satisfactory to Agent, including payment by the Defaulting Lender or Eligible Assignee of an amount sufficient upon distribution (through direct payment, purchases of participations or other methods acceptable to Agent in its reasonable discretion) to satisfy all funding and payment liabilities of the Defaulting Lender. If any assignment by a Defaulting Lender (by operation of law or otherwise) does not comply with the foregoing, the assignee shall be deemed a Defaulting Lender for all purposes until compliance occurs.

12.3.4.Register. Agent, acting as a non-fiduciary agent of Borrowers (solely for tax purposes), shall maintain (a) a copy (or electronic equivalent) of each Assignment and Acceptance delivered to it, and (b) a register for recordation of the names, addresses and Commitments of, and the Loans, and LC Obligations, including principal amounts and stated interest owing to, each Lender. Entries in the register shall be conclusive, absent manifest error, and Borrowers, Agent and Lenders shall treat each Person recorded in such register as a Lender for all purposes under the Loan Documents, notwithstanding any notice to the contrary. Agent may choose to show only one Borrower as the borrower in the register, without any effect on the liability of any Obligor with respect to the Obligations. The register shall be available for inspection by Borrowers or any Lender, from time to time upon reasonable notice.

12.3.5. Disqualified Institutions.

(a) No assignment or participation shall be made to any Person that was a Disqualified Institution as of the date (each, a "Trade Date") on which the assigning Lender entered into a binding agreement to sell and assign all or a portion of its rights and obligations under this Agreement to such Person, as the case may be (unless Borrowers have consented to such assignment or participation in writing in its sole and absolute discretion, in which case such Person will not be considered a Disqualified Institution for the purpose of such assignment or participation). For the avoidance of doubt, with respect to any assignee that becomes a Disqualified Institution after the applicable Trade Date (including as a result of the delivery of a notice pursuant to, or the expiration of the notice period referred to in, the definition of "Disqualified Institution"), (i) such assignee shall not retroactively be disqualified from becoming a Lender and (ii) the execution by Borrowers of an Assignment and Assumption with respect to such assignee will not by itself result in such assignee no longer being considered a Disqualified Institution. Any assignment or participation in violation of this clause (a) shall not be void, but the other provisions of this Section 12.3.5 shall apply.

(b) If any assignment or participation is made to any Disqualified Institution without Borrowers' prior written consent in violation of clause (a) above, or if any Person becomes a Disqualified Institution after the applicable Trade Date, Borrowers may, at their sole expense and effort, upon notice to the applicable Disqualified Institution and Agent, (i) terminate any Commitment of such Disqualified Institution and repay all obligations of Borrowers owing to such Disqualified Institution in connection with such Commitment or (ii) require such Disqualified Institution to assign, without recourse (in accordance with and subject to the restrictions contained in this Section), all of its interest, rights and obligations under this Agreement to one or more Eligible Assignees at the lesser of (x) the principal amount thereof and (y) the amount that such Disqualified Institution paid to acquire such interests, rights and obligations, in each case plus accrued interest, accrued fees and all other amounts (other than principal amounts) payable to it hereunder.

(c) Notwithstanding anything to the contrary contained in this Agreement, Disqualified Institutions (i) will not (A) have the right to receive information, reports or other materials provided to Lenders by Borrowers, Agent or any other Lender, (B) attend or participate in meetings attended by the Lenders and Agent, or (C) access any electronic site established for the Lenders or confidential communications from counsel to or financial advisors of Agent or the Lenders and (ii) (A) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to Agent or any Lender to undertake any action (or refrain from taking any action) under this Agreement or any other Loan Document, each Disqualified Institution will be deemed to have consented in the same proportion as the Lenders that are not Disqualified Institutions consented to such matter, and (B) for purposes of voting on any Debtor Relief Plan, each Disqualified Institution party hereto hereby agrees (1) not to vote on such Debtor Relief Plan, (2) if such Disqualified Institution does vote on such Debtor Relief Plan notwithstanding the restriction in the foregoing clause (1), such vote will be deemed not to be in good faith and shall be "designated" pursuant to Section 1126(e) of the Bankruptcy Code (or any similar provision in any other Debtor Relief Laws), and such vote shall not be counted in determining whether the applicable class has accepted or rejected such Debtor Relief Plan in accordance with Section 1126(c) of the Bankruptcy Code (or any similar provision in any other Debtor Relief Laws) and (3) not to contest any request by any party for a determination by the Bankruptcy Court (or other applicable court of competent jurisdiction) effectuating the foregoing clause (2).

(d) Agent shall have the right, and Borrowers hereby expressly authorize Agent, to (i) post the list of Disqualified Institutions provided by Borrowers and any updates thereto from time to time (collectively, the "DQ List") on the Platform, including that portion of the Platform that is designated for "public side" Lenders, or (ii) provide the DQ List to each Lender requesting the same.

12.4.Replacement of Certain Lenders. If a Lender (a) within the last one hundred twenty (120) days failed to give its consent to any amendment, waiver or action for which consent of all Lenders was required and Required Lenders consented, (b) is a Defaulting Lender, or
(c) within the last 120 days gave a notice under Section 3.5 or requested payment or compensation under Section 3.7 or 5.8 (and has not designated a different Lending Office pursuant to Section 3.8), then Agent or Borrower Agent may, upon ten (10) days' notice to such Lender, require it to assign its rights and obligations under the Loan Documents to Eligible Assignee(s), pursuant to appropriate Assignment(s), within twenty (20) days after the notice. Agent is irrevocably appointed as attorney-in-fact to execute any such Assignment if the Lender fails to execute it. Such Lender shall be entitled to receive, in cash, concurrently with such assignment, all amounts owed to it under the Loan Documents through the date of assignment.

SECTION 13. MISCELLANEOUS

13.1. Amendments and Waivers.

13.1.1.Amendments and Other Modifications. No amendment, modification or waiver of, or consent with respect to, a Loan Document (each, a "Modification") shall be effective without the prior written agreement of Agent (with the written consent of Required Lenders) and each Obligor party to such Loan Document; provided, that

(a) without the prior written consent of Agent, no Modification shall alter any provision in a Loan Document that relates to any rights, duties or discretion of Agent;

(b) without the prior written consent of Issuing Bank, no Modification shall alter Section 2.3 or any other provision in a Loan Document that relates to Letters of Credit or any rights, duties or discretion of Issuing Bank;

(c) without the prior written consent of each affected Lender, including a Defaulting Lender, no Modification shall (i) increase the Commitment of such Lender; (ii) reduce the amount or rate of, or waive or delay payment of, any principal, interest, indemnity, reimbursement or fees payable to such Lender (except as provided in Section 4.2); provided that only the consent of the Required Lenders shall be necessary
(A) to waive the obligation of Borrower to pay interest at the Default Rate or (B) to amend any financial covenant (or any defined term directly or indirectly used therein), even if the effect of such amendment would be to reduce the rate of interest on any Loan or other Obligation or to reduce any fee payable hereunder); or (iii) extend the maturity of, or time of payment on, such Lender's Obligations (including any date fixed for payment of principal, interest or fees payable to such Lender);

(d) without the prior written consent of all Lenders (except any Defaulting Lender), no Modification shall (i) alter Section 5.1, 5.7, 7.1 (except to add Collateral), 10.7 or 13.1.1; (ii) release or subordinate all or substantially all Collateral;
(iii) except in connection with a merger, disposition or similar transaction expressly permitted pursuant to Section 9.2.9, release any Obligor from liability for any Obligations;
(iv) reduce the percentage specified in or otherwise modify the definition of Required Lenders, or consent to the assignment or transfer by any Obligor of any of its rights and obligations under this Agreement and the other Loan Documents (except as permitted by Section 9.2.9), (v) subordinate Agent's Liens on any material portion of the Collateral or subordinate (whether payment subordination or otherwise) the Obligations to other Debt (in each case, other than the subordination of the Agent's Liens in connection with purchase money indebtedness or capital leases, in either case, to the extent permitted hereunder) or
(vi) change any Loan Document provision requiring consent or action by all Lenders;

(e) any Modification to the Agent Fee Letter or the Observation Agent Fee Letter, respectively, shall only require the consent of the parties thereto;

(f) if Real Estate directly secures any Obligations, no Modification of a Loan Document shall add, increase, renew or extend any credit line hereunder until the completion of flood diligence and documentation as required by applicable Laws or as otherwise satisfactory to all Lenders; and

(g) without the prior written consent of the applicable Eligible Counterparty amend, modify or waive of any Obligations arising under Hedging Agreements or the definition of "Hedging Agreement," "Hedging Obligations," or "Obligations," (as defined herein or any applicable Collateral Document) in each case in a manner adverse to any Eligible Counterparty with Obligations then outstanding.

13.1.2. Limitations. No agreement of any Obligor shall be required for any Modification of a Loan Document that deals solely with the rights and duties of Lenders, Issuing Bank and/or Agent as among themselves; provided, that, if a Borrower is a party to such Loan Document, Agent shall post or otherwise provide the same to Borrowers reasonably promptly after it becomes effective. Only the consent of the parties to any agreement relating to fees or a Bank Product shall be required for Modification of such agreement, and no Bank Product provider (in such capacity) shall have any right to consent to Modification of any Loan Document. Any waiver or consent granted by Agent, Issuing Bank or Lenders hereunder shall be effective only if in writing and only for the matter specified.

13.1.3.Corrections. Without action or consent by any other party to this Agreement, (a) Agent and Borrower Agent may amend a Loan Document to cure an ambiguity, omission, mistake, typographical error, or other defect in any provision, schedule or exhibit thereof; and (b) Agent may revise Schedule 1.1 to reflect changes in Commitments from time to time.

13.2.Power of Attorney. Each Borrower hereby irrevocably constitutes and appoints Agent (and all Persons designated by Agent) as such Borrower's true and lawful attorney (and agent-in-fact) for the purposes provided in this Section. Agent, or Agent's designee, may, without notice and in either its or a Borrower's name, but at the cost and expense of Borrowers:

(a) Endorse a Borrower's name on any Payment Item or other proceeds of Collateral (including proceeds of insurance) that come into Agent's possession or control; and

(b) During an Event of Default, (i) notify any Account Debtors of the assignment of their Accounts, demand and enforce payment of Accounts, by legal proceedings or otherwise, and generally exercise any rights and remedies with respect to Accounts; (ii) settle, adjust, modify, compromise, discharge or release any Accounts or other Collateral, or any legal proceedings brought to collect Accounts or Collateral; (iii) collect, liquidate and receive balances in Deposit Accounts or investment accounts, and take control, in any manner, of proceeds of Collateral; (iv) receive, open and dispose of mail addressed to a Borrower, and notify postal authorities to deliver any such mail to an address designated by Agent; (v) use a Borrower's stationery and sign its name to verifications of Accounts and notices to Account Debtors; (vi) use information contained in any data processing, electronic or information systems relating to Collateral; (vii) make and adjust claims under insurance policies; and (viii) do all other things necessary to carry out the intent and purpose of this Agreement.

13.3.Indemnity. EACH BORROWER SHALL INDEMNIFY AND HOLD HARMLESS THE INDEMNITEES AGAINST ANY CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE, INCLUDING CLAIMS ASSERTED BY ANY OBLIGOR OR OTHER PERSON OR ARISING FROM THE NEGLIGENCE OF AN INDEMNITEE. In no event shall any party to a Loan Document have any obligation thereunder to indemnify or hold harmless an Indemnitee with respect to a Claim that is determined in a final, non-appealable judgment by a court of competent jurisdiction to result from the gross negligence or willful misconduct of such Indemnitee.

13.4. Notices and Communications.

13.4.1.Notice Address. All notices and other communications by or to a party hereto shall be in writing and shall be given to any Borrower, at Borrower Agent's address shown on the signature pages hereof, and to any other Person at its address shown on the signature pages hereof, or at such other address as a party may hereafter specify by notice in accordance with this

Section 13.4. Each communication shall be effective only (a) if given (i) with regards to Borrower Agent, by electronic mail to the applicable electronic mail address(es), if confirmation of receipt is received, and (ii) with regards to Agent, by facsimile transmission, when transmitted to the applicable facsimile number, if confirmation of receipt is received; (b) if given by mail, three (3) Business Days after deposit in the U.S. mail, with first-class postage pre-paid, addressed to the applicable address; or (c) if given by personal delivery, when duly delivered to the notice address with receipt acknowledged. Notwithstanding the foregoing, no notice to Agent pursuant to Section 2.1.3, 2.3, or 4.1.1 shall be effective until actually received by the individual to whose attention at Agent such notice is required to be sent. Any written communication that is not sent in conformity with the foregoing provisions shall nevertheless be effective on the date actually received by the noticed party. Any notice received by Borrower Agent shall be deemed received by all Borrowers.

13.4.2. Electronic Communications; Voice Mail. Except as otherwise set forth in Section 13.4.1 to the contrary, electronic mail and internet websites may be used only for routine communications, such as delivery of financial statements, Borrowing Base Certificates and other information required by Section 9.1.2, administrative matters, and distribution of Loan Documents. Agent make no assurances as to the privacy and security of electronic communications. Except as otherwise set forth in Section 13.4.1 to the contrary, electronic and voice mail may not be used as effective notice under the Loan Documents.

13.4.3. Platform. Borrowing Base information, reports, financial statements and other materials shall be delivered by Borrowers pursuant to procedures approved by Agent, including electronic delivery (if possible) upon request by Agent to an electronic system maintained by it ("Platform"). Borrowers shall notify Agent of each posting of reports or other information on the Platform. All information shall be deemed received by Agent only upon its receipt of such notice. The Platform is provided "as is" and "as available." NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY AGENT WITH RESPECT TO THE PLATFORM. Agent does not warrant the adequacy or functioning of the Platform, and expressly disclaims liability for any issues involving the Platform. No Indemnitee shall have any liability to Borrowers or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) relating to use by any Person of the Platform or delivery of any information over the internet.

13.4.4. Non-Conforming Communications. Agent and Lenders may rely upon any communications purportedly given by or on behalf of any Borrower even if they were not made in a manner specified herein, were incomplete or were not confirmed, or if the terms thereof, as understood by the recipient, varied from a later confirmation. Each Borrower shall indemnify and hold harmless each Indemnitee from any liabilities, losses, costs and expenses arising from any electronic or telephonic communication purportedly given by or on behalf of a Borrower.

13.5. Performance of Borrowers' Obligations. Agent may, in its discretion at any time and from time to time, at Borrowers' expense, pay any amount or do any act required of a Borrower under any Loan Documents or otherwise lawfully requested by Agent to (a) enforce any Loan

Documents or collect any Obligations; (b) protect, insure, maintain or realize upon any Collateral; or (c) defend or maintain the validity or priority of Agent's Liens in any Collateral, including any payment of a judgment, insurance premium, warehouse charge, finishing or processing charge, or landlord claim, or any discharge of a Lien. All payments, costs and expenses (including Extraordinary Expenses) of Agent under this Section shall be reimbursed by Borrowers, **on demand**, with interest from the date incurred until paid in full, at the Default Rate applicable to Revolver Loans. Any payment made or action taken by Agent under this Section shall be without prejudice to any right to assert an Event of Default or to exercise any other rights or remedies under the Loan Documents.

13.6.Credit Inquiries. Agent and Lenders may (but shall have no obligation) to respond to usual and customary credit inquiries from third parties concerning any Obligor or Subsidiary.

13.7.Severability. Wherever possible, each provision of the Loan Documents shall be interpreted in such manner as to be valid under applicable Law. If any provision is found to be invalid under applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of the Loan Documents shall remain in full force and effect.

13.8.Cumulative Effect; Conflict of Terms. The provisions of the Loan Documents are cumulative. The parties acknowledge that the Loan Documents may use several limitations or measurements to regulate similar matters, and they agree that these are cumulative and that each must be performed as provided. Except as otherwise provided in another Loan Document (by specific reference to the applicable provision of this Agreement), if any provision contained herein is in direct conflict with any provision in another Loan Document, the provision herein shall govern and control.

13.9.Counterparts; Execution. Any Loan Document may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when Agent has received counterparts bearing the signatures of all parties hereto. Delivery of a signature page of any Loan Document by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of such agreement. Any electronic signature, contract formation on an electronic platform and electronic record-keeping shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any similar state Law based on the Uniform Electronic Transactions Act.

13.10.Entire Agreement. Time is of the essence with respect to all Loan Documents and Obligations. The Loan Documents constitute the entire agreement, and supersede all prior understandings and agreements, among the parties relating to the subject matter thereof.

13.11.No Control; No Advisory or Fiduciary Responsibility. Nothing in any Loan Document and no action of Agent, Issuing Bank or any Lender pursuant to any Loan Document shall be deemed to constitute control of any Obligor by Agent, Issuing Bank or such Lender. In connection with all aspects of each transaction contemplated by any Loan Document, Borrowers acknowledge and agree that (a) (i) this credit facility and all related services by Agent, Issuing

Bank and any Lender or any of their Affiliates are arm’s-length commercial transactions between Borrowers and such Person; (ii) Borrowers have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate; and (iii) Borrowers are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated by the Loan Documents; (b) each of Agent, Issuing Bank, each Lender and each of their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for Borrowers, their Affiliates or any other Person, and has no obligation with respect to the transactions contemplated by the Loan Documents except as expressly set forth therein; and
(c) Agent, Issuing Bank and any Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of Borrowers and their Affiliates, and have no obligation to disclose any of such interests to Borrowers or their Affiliates. To the fullest extent permitted by applicable Law, each Borrower hereby waives and releases any claims that it may have against Agent, Issuing Bank and any Lender or any of their Affiliates with respect to any breach of agency or fiduciary duty in connection with any transaction contemplated by a Loan Document.

13.12.Confidentiality. Each of Agent, Lenders and Issuing Bank shall maintain the confidentiality of all Information (as defined below), except that Information may be disclosed
(a) to its Affiliates, and its and their partners, directors, officers, employees, agents, advisors and representatives (provided they are informed of the confidential nature of the Information and instructed to keep it confidential); (b) to the extent requested by any governmental, regulatory or self-regulatory authority purporting to have jurisdiction over it or its Affiliates;
(c) to the extent required by applicable Law or by any subpoena or other legal process; (d) to any other party hereto;
(e) in connection with any action or proceeding relating to any Loan Documents or Obligations;
(f) subject to an agreement containing provisions substantially the same as this Section, to any potential or actual transferee of any interest in a Loan Document or any actual or prospective party (or its advisors) to any Bank Product or to any swap, derivative or other transaction under which payments are to be made by reference to an Obligor or Obligor’s obligations; (g) with the consent of Borrower Agent; or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) is available to Agent, any Lender, Issuing Bank or any of their Affiliates on a nonconfidential basis from a source other than Borrowers. Notwithstanding the foregoing, Agent may publish or disseminate general information concerning this credit facility, and may use Borrowers’ logos, trademarks or product photographs in advertising materials. As used herein, “Information” means all information received from an Obligor or Subsidiary relating to it or its business, that is identified as confidential when delivered. Each Person required to maintain the confidentiality of Information pursuant to this Section shall be deemed to have complied if it exercises a degree of care similar to that accorded its own confidential information. Agent acknowledges that (i) Information may include material non- public information; (ii) it has developed compliance procedures regarding the use of such information; and (iii) it will handle the material non-public information in accordance with applicable Law.

13.13. ***Reserved***.

13.14.GOVERNING LAW. UNLESS EXPRESSLY PROVIDED IN ANY LOAN DOCUMENT, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL CLAIMS, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES EXCEPT FEDERAL LAWS RELATING TO NATIONAL BANKS.

13.15. Consent to Forum.

13.15.1.Forum. **EACH BORROWER HEREBY CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT SITTING IN OR WITH JURISDICTION OVER COOK COUNTY, ILLINOIS AND/OR THE NORTHER DISTRICT OF ILLINOIS (EASTERN DIVISION), IN ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING RELATING IN ANY WAY TO ANY LOAN DOCUMENTS, AND AGREES THAT ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING SHALL BE BROUGHT BY IT SOLELY IN ANY SUCH COURT. EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL CLAIMS, OBJECTIONS AND DEFENSES THAT IT MAY HAVE REGARDING ANY SUCH COURT'S PERSONAL OR SUBJECT MATTER JURISDICTION, VENUE OR INCONVENIENT FORUM. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 13.4.1. A FINAL JUDGMENT IN ANY PROCEEDING OF ANY SUCH COURT SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.**

13.15.2.Other Jurisdictions. Nothing herein shall limit the right of Agent or any Lender to bring proceedings against any Obligor in any other court, nor limit the right of any party to serve process in any other manner permitted by applicable Law. Nothing in this Agreement shall be deemed to preclude enforcement by Agent of any judgment or order obtained in any forum or jurisdiction.

13.16.Waivers by Borrowers. To the fullest extent permitted by applicable Law, each Borrower waives (a) the right to trial by jury (which each Secured Party hereby also waives) in any proceeding or dispute of any kind relating in any way to any Loan Documents, Obligations or Collateral; (b) presentment, demand, protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper and guaranties at any time held by Agent on which a Borrower may in any way be liable, and hereby ratifies anything Agent may do in this regard; (c) notice prior to taking possession or control of any Collateral; (d) any bond or security that might be required by a court prior to allowing Agent to exercise any rights or remedies; (e) the benefit of all valuation, appraisement and exemption laws; (f) any claim against an Indemnitee, on any theory of liability, for special, indirect, consequential, exemplary or punitive damages (as opposed to direct or actual damages) in any way relating to any enforcement action, Obligations, Loan Documents or transactions relating thereto; and (g) notice of acceptance hereof. Each Borrower acknowledges that the foregoing waivers are a material inducement to Agent, Issuing Bank and Lenders entering into this Agreement and that they are relying upon the foregoing in their dealings with Borrowers. Each Borrower has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial and other rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

13.17.<u>**PATRIOT Act Notice**</u>. Agent and Lenders hereby notify Borrowers that pursuant to the PATRIOT Act, Agent and Lenders are required to obtain, verify and record information that identifies each Borrower, including its legal name, address, tax ID number and other information that will allow Agent and Lenders to identify it in accordance with the PATRIOT Act. Agent and Lenders will also require information regarding each personal guarantor, if any, and may require information regarding Borrowers' management and owners, such as legal name, address, social security number and date of birth. Borrowers shall, promptly upon request, provide all documentation and other information as Agent, Issuing Bank or any Lender may request from time to time in order to comply with any obligations under "know your customer," anti-money laundering or other requirements of applicable Law.

13.18.<u>NO ORAL AGREEMENT</u>**. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.**

13.19. <u>Reserved</u>.

13.20.<u>Acknowledgment and Consent to Bail-In of Affected Financial Institutions</u>. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties, each party hereto (including each Secured Party) acknowledges that, with respect to any Secured Party that is an Affected Financial Institution, any liability of such Secured Party arising under a Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority, and each party hereto agrees and consents to, and acknowledges and agrees to be bound by, (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liability which may be payable to it by such Secured Party; and (b) the effects of any Bail-in Action on any such liability, including (i) a reduction in full or in part or cancellation of any such liability; (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under any Loan Document; or (iii) the variation of the terms of such liability in connection with the exercise of any Write-Down and Conversion Powers.

13.21.<u>EFFECT OF AMENDMENT AND RESTATEMENT; REAFFIRMATION OF OTHER LOAN DOCUMENTS</u>. UPON EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE PARTIES HERETO AND SATISFACTION OF THE CONDITIONS PRECEDENT SET FORTH IN <u>SECTION 6.1</u>, THE ORIGINAL LOAN AGREEMENT (AND,

EXCEPT AS OTHERWISE SET FORTH IN THE FOLLOWING PROVISO, ALL OBLIGATIONS AND RIGHTS OF ANY PARTY THEREUNDER), SHALL BE AMENDED AND RESTATED IN ITS ENTIRETY BY THIS AGREEMENT; PROVIDED HOWEVER, THAT THE OBLIGATION TO REPAY THE "OBLIGATIONS" ARISING UNDER (AND AS DEFINED IN) THE ORIGINAL LOAN AGREEMENT SHALL CONTINUE IN FULL FORCE AND EFFECT AND THE LIENS AND SECURITY INTERESTS SECURING PAYMENT AND PERFORMANCE THEREOF SHALL BE CONTINUING BUT SHALL NOW BE GOVERNED BY THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND SUCH LIENS AND SECURITY INTERESTS SHALL SECURE THE OBLIGATIONS. ALL LOAN DOCUMENTS THAT WERE EXECUTED AND DELIVERED IN CONNECTION WITH THE ORIGINAL LOAN AGREEMENT (AS SUCH LOAN DOCUMENTS ARE AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED), ARE HEREBY REAFFIRMED AND SHALL CONTINUE IN FULL FORCE AND EFFECT; PROVIDED THAT ALL REFERENCES IN SUCH LOAN DOCUMENTS TO THE ORIGINAL LOAN AGREEMENT SHALL, WITHOUT ANYTHING FURTHER, BE DEEMED TO REFER TO THIS AGREEMENT (AS MAY FROM TIME TO TIME BE AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED). EACH BORROWER ACKNOWLEDGES AND AGREES THAT THE "OBLIGATIONS" EVIDENCED BY (AND AS DEFINED IN) THE ORIGINAL LOAN AGREEMENT AND OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION WITH THE ORIGINAL LOAN AGREEMENT (AS SUCH LOAN DOCUMENTS ARE AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED) HAVE NOT BEEN NOVATED OR SATISFIED BUT INSTEAD HAVE BECOME PART OF THE OBLIGATIONS GOVERNED BY THE TERMS OF THIS AGREEMENT AND UNDER THE OTHER LOAN DOCUMENTS. NO ACTION OR INACTION BY AGENT OR ANY OTHER SECURED PARTY PRIOR TO THE DATE OF THIS AGREEMENT SHALL BE DEEMED TO HAVE ESTABLISHED A COURSE OF CONDUCT AMONG THE PARTIES HERETO. ALL RIGHTS, DUTIES AND OBLIGATIONS OF THE PARTIES TO THIS AGREEMENT SHALL BE SOLELY AS SET FORTH IN THIS AGREEMENT, AS APPLICABLE, AND THE OTHER LOAN DOCUMENTS.

13.22. Keepwell. At such time as any Borrower is a Qualified ECP Guarantor at the time the guarantee by any Guarantor that is not then an "eligible contract participant" under the Commodity Exchange Act (a "Specified Obligor") or the grant of a security interest under the Loan Documents by any such Specified Obligor, in either case, becomes effective with respect to any Swap Obligation, then such Obligor hereby absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Obligor with respect to such Swap Obligation as may be needed by such Specified Obligor from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering Borrowers' obligations and undertakings under this Section 13.22 voidable under applicable bankruptcy or insolvency laws, and not for any greater amount). The obligations and undertakings of Borrowers under this Section shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Borrowers intend this Section to constitute, and this Section shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each Specified Obligor for all purposes of the Commodity Exchange Act.

[Remainder of page intentionally left blank; signatures begin on following page]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date set forth above.

AGENT, LENDER AND ISSUING BANK:

[***]BANK

By:
Name: [***]
Title: Senior Vice President

Address for Notices to Secured Party:

[***]
Attn: [***]
Telecopy: [***]

OBSERVATION AGENT AND LENDER:

[***] BANK

By:_ Name:

Title:

Address:

[***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date set forth above.

AGENT, LENDER AND ISSUING BANK:

[***] BANK

By:_ Name: [***]
Title: Senior Vice President

Address for Notices to Secured Party:

[***]

OBSERVATION AGENT AND LENDER:

[***] BANK

By: ____
Name: [***]
Title: Managing Director

Address:

[***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

LENDER:

[***]

By:
Name: [***]
Title: Managing Director

Address:

[***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

<u>LENDER</u>:

[***] BANK, a [***] Bank

By:
Name: [***]
Title: Senior Vice President

Address: [***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

LENDER:

[***] BANK

By:_ Name: [***]
Title: CFO

Address:

[***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

<u>LENDER:</u>

[***] BANK

By:
Name: [***]
Title: Senior Vice President

Address:

[***]

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

LENDER:

[***] BANK

By:
Name: [***]
Title: Director of Specialty Banking

Address:

[***]

Attention: [***]

VP/1163930993

(Signature Page to Fifth Amended and Restated Loan and Security Agreement)

BORROWER: **CHICAGO ATLANTIC LINCOLN, LLC**

By: Chicago Atlantic Real Estate Finance, Inc., its sole member

Title: Chief Executive Officer

Address:

420 N Wabash Ave, Suite 500
Chicago, IL 60611 Attention: Loan
Department
Email: reporting@chicagoatlantic.com

EXITING LENDER

The·undersigned executing below (the "Exiting Lender") is a Lender under the Original Credit Agreement that is not continuing as a Lender under the Fifth Amended and Restated Loan Agreement to which this signature page is attached (the "Fifth Amended and Restated Loan Agreement"). Simultaneously with the effectiveness of the Fifth Amended and Restated Loan Agreement (the "Effective Date"), and the payment of the outstanding principal balance of Loans held by the Exiting Lender, and all accrued but unpaid interest and fees thereon, and the return of the original promissory note given by Borrower in favor of Exiting Lender, the Exiting Lender's commitment is thereby terminated, and Exiting Lender shall cease to be a Lender under the Fifth Amended and Restated Loan Agreement. To the extent required under the Original Agreement, the Exiting Lender consents to the Fifth Amended and Restated Loan Agreement.

The undersigned Exiting Lender has duly executed the Fifth Amended and Restated Loan Agreement for the limited purpose of acknowledging and agreeing to the tenus set forth above under "Exiting Lender":

EXITING LENDER:

[***]

By: _

Name: [***]

Title: VP, Portfolio Manager

Address: [***]

SCHEDULE 1.1

Commitments

Lender	Commitment Amount	Percentage
[***] Bank, an [***] banking corporation	$42,500,000	42.50%
[***] Bank	$22,500,000	22.50%
[***]	$10,000,000	10.00%
[***] Bank, a [***] Bank	$7,500,000	7.50%
[***] Bank	$5,000,000	5.00%
[***] Bank	$7,500,000	7.50%
[***] Bank	$5,000,000	5.00%

Schedule 8.1.4 Names and Capital Structure

Borrower	Jurisdiction of Organization	Authorized and Issued Equity Interests	Holder of Equity Interests
Chicago Atlantic Lincoln, LLC	Delaware	Membership Interests	Chicago Atlantic Real Estate Finance, Inc. (100%)

All agreements binding on holders of Equity Interests of Borrowers and Subsidiaries with respect to such interests are as follows: the Organic Documents of each Borrower.

In the five years preceding the Restatement Date, no Borrower or Subsidiary has acquired any substantial assets from any other Person nor been the surviving entity in a merger or combination.

Schedule 8.1.11

Patents, Trademarks, Copyrights and Licenses

None.

Schedule 8.1.13 Environmental Matters

None.

Schedule 8.1.14 Restrictive Agreements

None.

Schedule 8.1.15 Litigation

1. Proceedings and investigations pending against Borrowers or Subsidiaries: none.

2. Threatened proceedings or investigations of which any Borrower or Subsidiary is aware: none.

3. Pending Commercial Tort Claim of any Obligor: none.

Schedule 8.1.17 Pension Plans

None.

Schedule 9.1.9 Deposit Accounts

[***]

Schedule 9.1.10 Business Locations

1. Borrowers currently have the following business locations, and no others: Chief Executive Office: 420 N Wabash Ave, Ste 500, Chicago, IL 60611. Other Locations: none.
2. In the five years preceding the Restatement Date, Borrowers have had no office or place of business located in any county other than as set forth above.

4. The following bailees, warehouseman, similar parties and consignees hold inventory of a Borrower or Subsidiary: none.

Schedule 9.2.1 Existing Debt

None.

Schedule 9.2.2 Existing Liens

None.

Schedule 9.2.17 Existing Affiliate Transactions

None.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption ("Assignment") is dated as of the Effective Date set forth below, between the Assignor ("Assignor") and Assignee ("Assignee") identified below. Capitalized terms are used herein as defined in the Loan Agreement described below ("Loan Agreement"), receipt of a copy of which is acknowledged by Assignee. The Standard Terms and Conditions set forth in the Annex attached hereto ("Standard Terms") are incorporated by reference and made a part of this Assignment as if fully set forth herein.

For valuable consideration hereby acknowledged, Assignor hereby irrevocably sells and assigns to Assignee, and Assignee hereby irrevocably purchases and assumes from Assignor, as of the Effective Date and subject to and in accordance with the Standard Terms and Loan Agreement, (a) all of Assignor's rights and obligations in its capacity as a Lender under the Loan Documents in the amount and percentage interest shown below (including all outstanding rights and obligations under the Loan Agreement relating to outstanding Loans and Letters of Credit thereunder) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other rights of Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Agreement, Loan Documents or loan transactions governed thereby, or in any way based on or related to any of the foregoing, including all contract claims, tort claims, malpractice claims, statutory claims, and other claims at law or in equity related to the rights and obligations assigned pursuant to clause (a) above (the rights and obligations assigned by Assignor to Assignee pursuant to clauses (a) and (b) above being, collectively, the "Assigned Interest"). This sale and assignment is without recourse to Assignor and, except as expressly provided herein, without representation or warranty by Assignor.

1. Assignor: ____

2. Assignee: ____

3. Borrowers: ____

4. Agent: [***] Bank, as Agent under the Loan Agreement

5. Loan Agreement: Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024, as amended, among Borrowers, Agent and certain financial institutions as Lenders

6. Assigned Interest:

Amount of Commitment Assigned	Aggregate Commitments of all Lenders	Assigned Percentage of Aggregate Commitments
$	$	%

7. Effective Date of Assignment (to be inserted by Agent and which shall be the effective date of recordation of transfer by Agent in the loan register): ____, 20_

[Remainder of Page Intentionally Left Blank]

The terms set forth in this Assignment and Assumption are hereby agreed to:

<u>ASSIGNOR</u>:

By:_ Name:__ Title:

<u>ASSIGNEE</u>:

By:_ Name:__ Title:

Consented to and Accepted:

[***] BANK, as Agent

By:_ Name:__ Title:

Consented to:

By:
Name:___ Title:

ANNEX TO ASSIGNMENT AND ASSUMPTION

Standard Terms and Conditions for Assignment and Assumption

1. Representations and Warranties.

1.1 Assignor. Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, and (iii) Assignor has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of any Obligors, their Subsidiaries or Affiliates, or any other Person obligated in respect of any Loan Document, or
(iv) the performance or observance by any Obligors or any such Subsidiaries, Affiliates or other Persons of any of their respective obligations under any Loan Document.

1.2 Assignee. Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it is an Eligible Assignee and meets all requirements to be an assignee under the terms of the Loan Agreement (subject to any consents required under the Loan Agreement),
(iii) from and after the Effective Date, Assignee shall be bound by the provisions of the Loan Agreement and other Loan Documents as a Lender and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Loan Agreement and of such Loan Documents as it has deemed appropriate, and has received or been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to the terms of the Loan Agreement, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest,
(vi) it has, independently and without reliance upon Agent, Assignor or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest, and (vii) attached hereto is any documentation required to be delivered by it in connection with this Assignment pursuant to the terms of the Loan Agreement or otherwise reasonably requested by Agent, duly completed and executed by Assignee; and (b) agrees that (i) it will, independently and without reliance upon Agent, Assignor or any other Lender, and based on such documents and information as Assignee shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by Assignee as a Lender.

Assignee represents and warrants, as of the Effective Date, to and covenants from the Effective Date to the date such Person ceases being a Lender under the Loan Agreement, for the benefit of Assignor, Agent, Arranger(s) and their respective Affiliates, and not (for the avoidance of doubt) to or for the benefit of any Obligor, that at least one of the following is and will be true:
(w) Assignee is not using "plan assets" (within the meaning of 29 CFR §2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, Letters of Credit or Commitments; (x) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to Assignee's entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Agreement, and acquisition and holding of the Assigned Interest; (y) (I) Assignee is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (II) such Qualified Professional Asset Manager made the investment decision on behalf of Assignee to enter into, participate in, administer and perform the Loans, Letters of Credit, Commitments and Loan Agreement, and to acquire and hold the Assigned Interest, (III) the entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Agreement, and the acquisition and holding of the Assigned Interest, satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14, and (IV) to the best knowledge of Assignee, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to Assignee's entrance into, participation in, administration of and performance of the Loans, Letters of Credit, Commitments and Loan Agreement, and acquisition and holding of the Assigned Interest; or (z) such other representation, warranty and covenant as may be agreed in writing between Assignor in its sole discretion, Agent in its sole discretion and Assignee.

2. Payments. From and after the Effective Date, Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to Assignor for amounts which have accrued to but excluding the Effective Date and to Assignee for amounts which accrue on and after the Effective Date.

3. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

EXHIBIT B

FORM OF BORROWING BASE CERTIFICATE

(See attached)

EXHIBIT C

COMPLIANCE CERTIFICATE

In accordance with the terms of the Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024 (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement") by and among Chicago Atlantic Lincoln, LLC and any other borrower party thereto ("Borrowers"), [***] Bank, as Agent ("Agent") and the financial institutions from time to time party thereto as lenders, I hereby certify that:

1. I am the [Chief Executive Officer] [Chief Financial Officer] of [Borrower Agent] [CAREF];

2. The enclosed financial statements are prepared in accordance with generally accepted accounting principles;

3. No Default (as defined in the Loan Documents) or Event of Default, has occurred, other than [DESCRIBE SUCH DEFAULT OR EVENT OF DEFAULT].

4. [Borrowers are in compliance with the financial covenant(s) set forth in Sections 9.2.3 and 9.3 of the Loan Agreement, as demonstrated by the calculations contained in Schedule I, attached hereto and made a part hereof] [CAREF is in compliance with the financial covenant(s) set forth in the Guaranty, as demonstrated by the calculations contained in Schedule I attached hereto and made a part hereof].

[CHICAGO ATLANTIC LINCOLN, LLC,
as Borrower Agent]

[CHICAGO ATLANTIC REAL ESTATE
FINANCE, INC., as Guarantor]

By:_

Name:___

Title:____

SCHEDULE I TO COMPLIANCE CERTIFICATE

[Borrowers to provide detailed calculations of financial covenants]

EXHIBIT D

CONDITIONS PRECEDENT

(a) Each Loan Document shall have been duly executed and delivered to Agent by each of the signatories thereto (it being acknowledged and agreed to by Borrowers and Agent that no Assignment of Mortgage, the form of which is attached to this Agreement as Exhibit J, shall be filed and/or recorded unless required by Section 9.2.22) and each Obligor shall be in compliance with all terms thereof.

(b) Guarantor shall have executed and delivered to Agent a Reaffirmation of the CAREF Guaranty and the Springing Pledge, in form and substance acceptable to Agent;

(c) [***] Bank shall have received a Revolving Credit Note executed by Borrower in favor of [***] Bank;

(d) Omitted.

(e) Agent shall have received a certificate of a duly authorized officer of each Obligor, certifying (i) that attached copies of such Obligor's Organic Documents are true and complete, and in full force and effect, without amendment except as shown; (ii) that an attached copy of resolutions authorizing execution and delivery of the Loan Documents is true and complete, and that such resolutions are in full force and effect, were duly adopted, have not been amended, modified or revoked, and constitute all resolutions adopted with respect to this credit facility; and (iii) to the title, name and signature of each Person authorized to sign the Loan Documents. Agent may conclusively rely on this certificate until it is otherwise notified by the applicable Obligor in writing.

(f) Agent shall have received the legal opinion, in form and substance reasonably satisfactory to Lenders, of Kilpatrick Townsend & Stockton LLP, counsel to the Borrowers and Guarantor.

(g) Agent shall have received copies of the charter documents of each Obligor, certified within 30 days of the Restatement Date by the Secretary of State or other appropriate official of such Obligor's jurisdiction of organization. Agent shall have received good standing certificates for each Obligor, issued by the Secretary of State or other appropriate official of such Obligor's jurisdiction of organization and each jurisdiction where such Obligor's conduct of business or ownership of Property necessitates qualification.

(h) Agent shall have completed its business, financial and legal due diligence of Obligors, including a roll-forward of its previous field examination, with results satisfactory to Agent. No material adverse change in the financial condition of any Obligor or in the quality, quantity or value of any Collateral shall have occurred since December 31, 2022.

(i) Borrowers shall have paid all fees and expenses to be paid to Agent on the Restatement Date.

(j) Agent shall have received a Borrowing Base Certificate as required by Exhibit G and any Collateral Documents, as may apply; provided, however, that a Collateral Assignment of Mortgage shall be required only for any mortgage, deed of trust or deed for secured debt granted to such Borrower specifically by name and securing an Eligible Advance.

(k) Borrower shall have paid all fees to be paid under the Agent Fee Letter, together with all other fees, costs and expenses incurred by Agent and Lenders in connection with this Agreement on the Restatement Date.

(l) Omitted.

(m) Upon the reasonable request of any Lender at least five (5) days prior to the Restatement Date, the Borrowers shall have provided to such Lender the documentation and other information so requested in connection with applicable “know your customer” and anti-money- laundering rules and regulations, including the PATRIOT Act, in each case at least five (5) days prior to the Restatement Date.

EXHIBIT E

FEES

(a) Unused Line Fee. Beginning January 1, 2022, Borrowers shall pay to Agent, for the account of the Lenders, a fee equal to the Unused Line Fee Rate times the amount by which the Commitments exceed the average daily Revolver Usage during any month. Such fee shall be payable in arrears, on the first day of each month commencing on January 1, 2022, and on the Commitment Termination Date.

(b) LC Facility Fees. Borrowers shall pay to Agent, for the account of Issuing Bank
(i) a fee equal to the Applicable Margin times the average daily Stated Amount of Letters of Credit, which fee shall be payable monthly in arrears, on the first day of each month; (ii) a fronting fee equal to three percent (3.00%) per annum on the Stated Amount of each Letter of Credit, which fee shall be payable monthly in arrears, on the first day of each month; and (iii) all customary charges associated with the issuance, amending, negotiating, payment, processing, transfer and administration of Letters of Credit, which charges shall be paid as and when incurred. During an Event of Default, the fee payable under clause (i) shall be increased by 5% per annum.

(c) Fee Letters. Borrowers shall pay to (i) Agent the fees set forth in the Agent Fee Letter and (ii) Observation Agent or its Affiliates, as applicable, the fees set forth in, and in accordance with, the Observation Agent Fee Letter.

<u>**EXHIBIT F**</u>

FINANCIAL REPORTING

As long as any Commitment or Obligations are outstanding, each Borrower shall, and shall cause each Subsidiary to furnish to Agent and the Lenders:

(a) as soon as available, and in any event within one hundred twenty (120) days after the last day of each Fiscal Year, balance sheets as of the end of such Fiscal Year and the related statements of income, cash flow and shareholders' equity for such Fiscal Year, on consolidated and consolidating basis for CAL, its Subsidiaries and each Guarantor, which consolidated statements shall be audited and certified (without qualification), by a firm of independent certified public accountants of recognized standing selected by CAL and acceptable to Agent, as prepared in accordance with GAAP and fairly presenting the financial position and results of operations for such period, subject to normal year-end adjustments and the absence of footnotes, and shall set forth in comparative form corresponding figures for the preceding Fiscal Year and other information acceptable to Agent; <u>provided</u>, <u>however</u>, Borrowers shall not be obligated to provide any such financial report contemplated under this clause (a) until the completion of the Fiscal Year ending December 31, 2021;

(b) each Fiscal Year, as soon as available, and in any event within thirty (30) days after filing a copy of the tax filings made by Borrowers, if any, and each Guarantor, in form and substance satisfactory to Agent;

(c) as soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter (except ninety (90) days with respect to each Fiscal Quarter ending on December 31), unaudited balance sheets as of the end of such Fiscal Quarter and the related statements of income and cash flow for such month and for the portion of the Fiscal Year then elapsed, on consolidated and consolidating basis for CAL and its Subsidiaries, setting forth in comparative form corresponding figures for the preceding Fiscal Year and certified by the chief executive officer or chief financial officer of Borrower Agent and reviewed by a firm of independent certified public accountants of recognized standing selected by CAL and acceptable to Agent as prepared in accordance with GAAP and fairly presenting the financial position and results of operations for such month and period, subject to normal year-end adjustments and the absence of footnotes, and starting with the Fiscal Quarter ending on December 31, 2022, shall set forth in comparative form corresponding figures for the preceding Fiscal Year;

(d) as soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter (except ninety (90) days with respect to each Fiscal Quarter ending on December 31), or more frequently if requested by Agent while a Default or Event of Default exists, a Compliance Certificate executed by the chief financial officer or chief executive officer of Borrower Agent;

(e) as soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter (except ninety (90) days with respect to each Fiscal Quarter ending on December 31), unaudited balance sheets as of the end of each applicable month and the related statements of income and cash flow for such months and for the portion of the Fiscal Year then elapsed for CAREF; provided that notwithstanding the foregoing, the obligations in this clause (e) may be satisfied so long as such information is publicly available on the SEC's EDGAR website;

(f) as soon as available, and in any event within one hundred twenty (120) days after the last day of each Fiscal Year, balance sheets as of the end of such Fiscal Year and the related statements of income, cash flow and shareholders' equity for such Fiscal Year, on a consolidated basis for CAREF, which consolidated statements shall be audited and certified (without qualification), by a firm of independent certified public accountants of recognized standing selected by CAREF and acceptable to Agent, as prepared in accordance with GAAP and fairly presenting the financial position and results of operations for such period, subject to normal year-end adjustments and the absence of footnotes; provided, however, CAREF shall not be obligated to provide any such financial report contemplated under this clause (f) until the completion of the Fiscal Year ending December 31, 2021; provided, further, that notwithstanding the foregoing, the obligations in this clause (f) may be satisfied so long as such information is publicly available on the SEC's EDGAR website;

(g)as soon as available, and in any event within forty-five (45) days after the end of each Fiscal Quarter (except ninety (90) days with respect to each Fiscal Quarter ending on December 31), or more frequently if requested by Agent while a Default or Event of Default exists, a Compliance Certificate executed by the chief financial officer or chief executive officer of CAREF with respect to the financial covenants set forth in the CAREF Guaranty;

(h)concurrently with delivery of financial statements under clause (a) above, copies of all management letters and other material reports submitted to Borrowers by their accountants in connection with such financial statements;

(i) reserved;

(j) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Obligor has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Obligor files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by an Obligor to the public concerning material changes to or developments in the business of such Obligor;

(k)promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(l) such other reports and information (financial or otherwise) as Agent may request from time to time in connection with any Collateral or any Borrower's, Subsidiary's or other Obligor's financial condition or business;

(m)Borrowers shall grant to Agent access to Borrowers' file management portal and shall ensure Agent may access such files, reports and similar items as may be customarily stored on such system; and (n)as soon as available, and in any event within one hundred twenty (120) days after the close of each Fiscal Year, balance sheets as of the end of such Fiscal Year and the related statements of income, cash flow and shareholders’ equity for such Fiscal Year, on consolidated and consolidating bases for each Guarantor, which consolidated statements shall be audited and certified (without qualification) by a firm of independent certified public accountants of recognized standing selected by such Guarantor and acceptable to Agent, and shall set forth in comparative form corresponding figures for the preceding Fiscal Year and other information acceptable to Agent.

EXHIBIT G

COLLATERAL REPORTING

(a) Within fifteen (15) days after the end of each calendar month during which any amounts were outstanding under the Credit Agreement (but, in any event, even if no amounts are outstanding under the Credit Agreement, at least once per Fiscal Quarter), Borrowers shall deliver to Agent a Borrowing Base Certificate prepared as of the close of business of the previous month, and at such other times as Agent may reasonably request. All calculations of Availability in any Borrowing Base Certificate shall originally be made by Borrowers and certified by a Senior Officer, provided that Agent may from time to time review and adjust any such calculation (a) to reflect its reasonable estimate of declines in value of any Collateral, due to collections received in the Dominion Account or otherwise; (b) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting Collateral; and (c) to the extent the calculation is not made in accordance with this Agreement or does not accurately reflect the Availability Reserve; provided, however, that Agent shall provide Borrowers with notice of at least five (5) Business Days prior to any adjustment, and provided, further, that no adjustment shall be duplicative of any Availability Reserve, any ineligibility component or any other calculation adjustment.

(b) Each Borrower shall keep accurate and complete records of its Advances, including all payments and collections thereon, and shall submit to Agent sales, collection, reconciliation and other reports in form satisfactory to Agent, on such periodic basis as Agent may request. Each Borrower shall also provide to Agent, on or before the 15th day of each month, a detailed aged trial balance of all Advances as of the end of the preceding month, specifying each Advance's borrower's name and address, outstanding principal amount, original loan date and due date, showing any write-off, charge or dispute, and including such, copies of related documents, repayment histories, status reports and other information as Agent may reasonably request.

(c) Each Borrower shall keep accurate and complete records of its Equipment, including kind, quality, quantity, cost, acquisitions and dispositions thereof, and shall submit to Agent, on such periodic basis as Agent may request, a current schedule thereof, in form satisfactory to Agent. Promptly upon request, Borrowers shall deliver to Agent evidence of their ownership or interests in any Equipment.

EXHIBIT H

COLLATERAL ASSIGNMENT OF LOAN DOCUMENTS

THIS COLLATERAL ASSIGNMENT OF LOAN DOCUMENTS is made as of [____], 20__, by **CHICAGO ATLANTIC LINCOLN, LLC**, a Delaware limited liability company ("Assignor"), to and in favor of **[***] BANK**, an [***] state banking association (as administrative agent, "Assignee") in connection with that certain Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024 by and among Assignor, Assignee and the other parties signatory thereto (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, for collateral purposes, Assignor hereby sells, assigns, transfers and sets over to Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the loan and other obligations of ____(the "Borrower"), owed to Assignor, and any and all loan documents given by Borrowers identified in the List of Loan Documents attached hereto as Exhibit A) and any other credit party to Assignor, as assigned to Assignor pursuant to those certain _____, in favor of Assignor, including, without limitation, the documents identified in the List of Loan Documents attached hereto as Exhibit A (such loan obligations and documents are collectively referred to as the "Obligations"), and together with all of Assignor's right, title and interest in and to any claims, collateral, guarantees, escrow accounts, demands, causes of action and any other collateral arising out of or delivered in connection with the Obligations.

TO HAVE AND TO HOLD the same unto the Assignee, and to the successors and/or assigns of Assignee, subject to the terms and conditions of the Loan Agreement, and reserving unto Assignor the right to collect the indebtedness evidenced or secured thereby, to enforce the terms thereof and to modify the terms thereof except to the extent prohibited under the terms of the Loan Agreement.

(Signature page follows.)

IN WITNESS WHEREOF, Assignor has executed this Collateral Assignment of Loan Documents as of the day and year first above written.

ASSIGNOR:

Chicago Atlantic Lincoln, LLC,

a Delaware limited liability company

By: _

Name:

Title:

EXHIBIT A
List of Loan Documents

(Please see attached)

EXHIBIT I **ALLONGE**

As used in this Allonge, the following capitalized terms have the following meanings:

"Maker" means [__].

"Lender" means [Chicago Atlantic Lincoln, LLC, a Delaware limited liability company // OTHER BORROWER].

"**[**Promissory Note**]**" means the [Promissory Note] dated as of [_], 202_in the principal amount of $[___], made by Maker and payable to the order of Lender, as endorsed to [***] Bank, an [***] state banking association.

This is an Allonge to the [Promissory Note] defined above.

Pay to the order of

[***] Bank

an [***] state banking association

[CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER],
a Delaware limited liability company

By: _
Name:
Title:

Dated: as of __, 20_

EXHIBIT J ASSIGNMENT OF MORTGAGE[1]

This instrument prepared by and after recording return to:

ASSIGNMENT OF MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS ASSIGNMENT OF MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Assignment") is made as of ___, 20__, by **[CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER]**, a Delaware limited liability company ("Assignor"), having an address [_], to and in favor of **[***] BANK**, an [***] state banking association (as administrative agent, "Assignee"), having an address of [ ], in connection with that certain Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, assigns and transfers to Assignee, for itself and as agent pursuant to the Loan Agreement, and its successors and assigns, all of its right, title and interest in and to that certain **MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING** from [___] ("Borrower") in favor of Assignor, dated as of [_____] and recorded on [_________], as [___] in [____] of the County Clerk of [______], securing the Obligations under that certain Fifth Amended

[1] [To be conformed/formatted to local recording requirements]

and Restated Loan and Security Agreement dated as of February 28, 2024, by and among Assignor, Borrower, and the lenders party thereto, and that certain [[Promissory Note]] dated [____] from Borrower in favor of Assignee (as assigned to it by Assignee), in the original principal amount of $[____] (the "Mortgage"), which Mortgage encumbers that certain real property situated [________] and described in Exhibit A attached hereto. This Assignment is subject to the terms and conditions of the Loan Agreement.

TO HAVE AND TO HOLD the Mortgage unto Assignee, and to the successors and assigns of Assignee, subject to the terms and conditions of the Loan Agreement, and reserving unto Assignor the right to collect the indebtedness evidenced or secured thereby, to enforce the terms thereof and to modify the terms thereof except to the extent prohibited under the terms of the Loan Agreement.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed in its name as of the date first above written.

ASSIGNOR:

[CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER], a Delaware limited liability company

By:
Name:
Title:

STATE OF __)

) ss: COUNTY

OF _)

I, ___, a Notary Public in and for said County, in the State aforesaid, do hereby certify that ________in his/her capacity as Authorized Signatory of [**CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER]**, a Delaware limited liability company, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, as of this ___day of ___, 20_.

NOTARY PUBLIC

My Commission Expires: ___ [SEAL]

EXHIBIT A

Legal Description

EXHIBIT K

COLLATERAL ASSIGNMENT OF MORTGAGE[2]

This instrument prepared by and after recording return to:

COLLATERAL ASSIGNMENT OF MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS COLLATERAL ASSIGNMENT OF MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Assignment") is made as of [__________], 20_, by [**CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER]**, a Delaware limited liability company ("Assignor"), having an address [__________], to and in favor of **[***] BANK**, an [***] state banking association (as administrative agent, "Assignee"), having an address of [____], in connection with that certain Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, assigns and transfers for collateralization purposes to Assignee, for itself and as agent pursuant to the Loan Agreement, and its successors and assigns, all of its right, title and interest in and to that certain **MORTGAGE WITH ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING** from [______] ("Borrower") in favor of Assignor, dated as of [_________] and recorded on [ ], as [____] of the County Clerk of [_____________], securing the Obligations under that certain Fifth Amended and Restated Loan and Security Agreement dated as of February 28, 2024, by and among Assignor, Borrower, and the lenders party thereto, and that certain [[Promissory Note]] dated [__________] from Borrower in favor of Assignee (as assigned to it by Assignor), in the original principal amount of $[__] (the "Mortgage"), which Mortgage encumbers that certain real property situated [______] and described in Exhibit A attached hereto. This Assignment is subject to the terms and conditions of the Loan Agreement.

[2] [To be conformed/formatted to local recording requirements]

TO HAVE AND TO HOLD the Mortgage unto Assignee, and to the successors and assigns of Assignee, subject to the terms and conditions of the Loan Agreement, and reserving unto Assignor the right to collect the indebtedness evidenced or secured thereby, to enforce the terms thereof and to modify the terms thereof except to the extent prohibited under the terms of the Loan Agreement.

IN WITNESS WHEREOF, Assignor has caused this Collateral Assignment to be executed in its name as of the date first above written.

ASSIGNOR:

[CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER],
a Delaware limited liability company

By:
Name:
Title:

STATE OF __)

) ss: COUNTY

OF _)

I, ___, a Notary Public in and for said County, in the State aforesaid, do hereby certify that ________in his/her capacity as Authorized Signatory of **[CHICAGO ATLANTIC LINCOLN, LLC // OTHER BORROWER]**, a Delaware limited liability company, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, as of this ___day of ___, 20_.

NOTARY PUBLIC

My Commission Expires: ___ [SEAL]

EXHIBIT A

Legal Description

Exhibit 23.1

<u>Consent of Independent Registered Public Accounting Firm</u>

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-268920) of Chicago Atlantic Real Estate Finance, Inc. of our report dated March 12, 2024, relating to the consolidated financial statements, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.
Chicago, Illinois

March 12, 2024

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 annual report on Form 10-K 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: March 12, 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 annual report on Form 10-K 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: March 12, 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 Annual Report on Form 10-K for the year ended December 31, 2023 (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: March 12, 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 Annual Report on Form 10-K for the year ended December 31, 2023 (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: March 12, 2024

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

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.
DODD-FRANK CLAWBACK POLICY

The Board of Directors of Chicago Atlantic Real Estate Finance, Inc. has adopted the following Dodd-Frank Clawback Policy effective as of October 2, 2023. It is the intention of the Board that this Dodd-Frank Clawback Policy be interpreted and administered in a manner consistent with applicable laws and regulations and listing requirements, including Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (and Rule 10D-1 promulgated thereunder), and Nasdaq Listing Rules 5608 and 5810(c)(2)(A)(iii). This Dodd-Frank Clawback Policy applies to awards of Incentive-Based Compensation received on or after the Effective Date by Executive Officers of the Company.

Definitions

“Board” means the Board of Directors of the Company.

“Committee” means the Compensation Committee of the Board of Directors of the Company.

“Company” means Chicago Atlantic Real Estate Finance, Inc.

“Effective Date” means October 2, 2023.

“Executive Officer” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company. Executive officers of the Company’s subsidiaries are deemed Executive Officers of the Company if they perform such policymaking functions for the Company. For purposes of this Dodd-Frank Clawback Policy, Executive Officer includes the Company’s Executive Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Co-Presidents, and any other individual as determined by the Board.

“Excess Incentive-Based Compensation” means the amount of Incentive-Based Compensation received by a current or former Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had the amount of such Incentive-Based Compensation been determined based on the accounting restatement, computed without regard to taxes paid by the Executive Officer. With regards to Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Excess Incentive-Based Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, Excess Incentive-Based Compensation means a reasonable estimate of the effect of the accounting restatement on the applicable Financial Reporting Measure.

“Financial Reporting Measure” means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. “Stock price” and “total shareholder return” metrics are also Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission.

“Incentive-Based Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

“Lookback Period” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement, and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years. For purposes of this definition, the date on which the Company is required to prepare an accounting restatement shall be deemed to be the earlier of (i) the date the Company’s Board, a committee of the Board, or the officer(s) of the Company authorized to take such action (if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement.

“Securities Exchange” means the securities exchange upon which the Company’s Common Stock, par value $0.01 per share, trades.

Recoupment for an Accounting Restatement

The Company shall recover reasonably promptly any Excess Incentive-Based Compensation in the event that the Company is required to restate its financial statements due to the material noncompliance of the Company with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error (i) in previously issued financial statements that is material to the previously issued financial statements or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The preceding sentence shall apply to Excess Incentive-Based Compensation received by any current or former Executive Officer: (a) after beginning service as an Executive Officer; (b) who served as an Executive Officer at any time during the performance period for the applicable Incentive-Based Compensation; (c) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (d) during the Lookback Period. For purposes of this paragraph, Incentive-Based Compensation is deemed “received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

If the Company is required to recoup Excess Incentive-Based Compensation following an accounting restatement based on adjustments to stock price or total shareholder return, the Company shall determine the amount of such Excess Incentive-Based Compensation subject to recoupment, which amount shall be a reasonable estimate of the effect of the accounting restatement on the applicable Financial Reporting Measure.

Notwithstanding the foregoing, if the Committee makes a determination that recovery would be impracticable, and one of the following enumerated conditions is satisfied, the Company need not recover such Excess Incentive-Based Compensation.

- Expenses Exceed Recovery Amount: The Company need not recover the Excess Incentive-Based Compensation at issue if the direct expense to be paid to a third party to assist in enforcing this Dodd-Frank Clawback Policy would exceed the amount to be recovered; provided, however, that the Company must make a reasonable attempt to recover the Excess Incentive-Based Compensation and document such attempt(s) prior to the Committee's determination that recovery would be impracticable. The Company must provide the documentation evidencing the attempt(s) to the Securities Exchange consistent with the listing standards of the Securities Exchange.
- Recovery Would Violate Home Country Law: The Company need not recover the Excess Incentive-Based Compensation at issue if recovery would violate home country law where that law was adopted prior to November 28, 2022; provided, however, that the Company must obtain an opinion of home country counsel, in a form acceptable to the Securities Exchange, that recovery would result in such violation. The Company must provide the opinion to the Securities Exchange consistent with the listing standards of the Securities Exchange.
- Recovery Would Violate ERISA Anti-Alienation Provisions: The Company need not recover the Excess Incentive-Based Compensation at issue if recovery would violate the anti-alienation provisions of the Employee Retirement Income Security Act of 1974, as amended, contained in 26 U.S.C. § 401(a)(13) or 26 U.S.C. § 411(a), or regulations promulgated thereunder.

Method of Recoupment

The Committee shall have the sole discretion and authority to determine the means, timing (which shall in all circumstances be reasonably prompt) and any other requirements by which any recoupment required by this Dodd-Frank Clawback Policy shall occur and impose any other terms, conditions or procedures (*e.g.*, the imposition of interest charges on un-repaid amounts) to govern the current or former Executive Officer's repayment of Excess Incentive-Based Compensation.

Other Policy Terms

Any applicable award agreement, plan or other document setting forth the terms and conditions of any Incentive-Based Compensation or other compensation covered by this Dodd-Frank Clawback Policy received on or after the Effective Date shall be deemed to (i) include the restrictions imposed herein; (ii) incorporate the Dodd-Frank Clawback Policy by reference; and (iii) govern the terms of such award agreement, plan or other document in the event of any inconsistency. Eligibility for participation in and for payment under any such award agreement, plan or other document is contingent upon acceptance of the terms of this Dodd-Frank Clawback Policy.

Any recoupment under this Dodd-Frank Clawback Policy is in addition to, and not in lieu of, any other remedies or rights that may be available to the Company or its affiliates under applicable law, including, without limitation: (i) dismissing the current or former Executive Officer; (ii) adjusting the future compensation of the current or former Executive Officer; or (iii) authorizing legal action or taking such other action to enforce the current or former Executive Officer's obligations to the Company or its affiliates as it may deem appropriate in view of all of the facts and circumstances surrounding the particular case.

Incentive-Based Compensation and other compensation paid to employees of the Company and its affiliates may also be subject to other recoupment or similar policies, and this policy does not supersede any such other policies. However, in the event of any conflict between any such policy and this Dodd-Frank Clawback Policy, this policy shall govern. In addition, no Executive Officer shall be subject to recoupment more than one time with respect to the same compensation.

Current or former Executive Officers shall not be entitled to any indemnification by or from the Company or its affiliates with respect to any amounts subject to recoupment pursuant to this Dodd-Frank Clawback Policy.

Administration

The Board has delegated the administration of this policy to the Committee. The Committee is responsible for monitoring the application of this policy with respect to all Executive Officers. The Committee shall have the sole authority to review, interpret, construe and implement the provisions of this Dodd-Frank Clawback Policy and to delegate to one or more executive officers and/or employees certain administrative and record-keeping responsibilities, as appropriate, with respect to the implementation of this Dodd-Frank Clawback Policy; provided, however, that no such action shall contravene the federal securities laws. Any determinations of the Board or Committee under this Dodd-Frank Clawback Policy shall be binding on the applicable individual.

The Board may amend, modify or change this Dodd-Frank Clawback Policy, as well as any related rules and procedures, at any time and from time to time as it may determine, in its sole discretion, is necessary or appropriate.

Approved by the Board of Directors of the Company on November 2, 2023.