

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-40564

**CHICAGO ATLANTIC BDC, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of incorporation or organization)

**86-2872887**  
(IRS Employer Identification No.)

**600 Madison Avenue, Suite 1800**  
**New York, NY**  
(Address of principal executive offices)

**10022**  
(Zip Code)

**(212) 905-4923**  
(Registrant's telephone number, including area code)

**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	LIEN	The NASDAQ Stock Market LLC

**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 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

As of June 30, 2024, the aggregate market value of the common stock (\$0.01 par value per share) of the registrant held by non-affiliates of the registrant was approximately \$53,422,819, based on the closing sale price on the Nasdaq Global Market on that date of \$11.82 per share.

As of March 28, 2025, the registrant had 22,820,386 shares of common stock (\$0.01 par value per share) outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of the registrant's fiscal year, are incorporated by reference into Part III of this annual report on Form 10-K.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this annual report on Form 10-K constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K may include statements as to:

- our future operating results and distribution projections;
- the ability of Chicago Atlantic BDC Advisers, LLC (the “Adviser”) to attract and retain highly talented professionals;
- our business prospects and the prospects of our portfolio companies;
- the impact of interest and inflation rates on our business prospects and the prospects of our portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments and the timing of our investments in our initial portfolio;
- changes in regulation impacting the cannabis industry;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability to realize benefits anticipated by the Loan Portfolio Acquisition (as defined below). See “Note 13 – Loan Portfolio Acquisition” in the notes to the financial statements included with this annual report on Form 10-K for further information regarding the Loan Portfolio Acquisition.

In addition, words such as “anticipate,” “believe,” “expect,” “seek,” “plan,” “should,” “estimate,” “project” and “intend” indicate forward-looking statements, although not all forward-looking statements include these words. The forward-looking statements contained in this annual report on Form 10-K involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Item 1A. Risk Factors” and elsewhere in this annual report on Form 10-K. Other factors that could cause actual results to differ materially include:

- changes or potential disruptions in our operations, the economy, financial markets or political environment;
- risks associated with possible disruption in our operations or the economy generally due to terrorism, natural disasters, the conflicts between Russia and Ukraine and in the Middle East, and the potential for volatility in energy prices and other commodities and their impact on the industries in which we invest;
- the impact of information technology system failures, data security breaches, data privacy compliance, network disruptions, and cybersecurity attacks;
- future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies (“BDCs”) or regulated investment companies (“RICs”); and
- other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

We have based the forward-looking statements included in this annual report on Form 10-K on information available to us on the date of this annual report on Form 10-K, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements contained in this annual report on Form 10-K are excluded from the safe harbor protection provided by Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

## CHICAGO ATLANTIC BDC, INC.

## PART I

Except where the context suggests otherwise, the terms “we,” “us,” “our,” “the Company,” and “LIEN” refer to Chicago Atlantic BDC, Inc. In addition, the terms “Adviser,” “investment adviser” and “administrator” refer to Chicago Atlantic BDC Advisers, LLC, our external investment adviser and administrator.

**Item 1. Business****Organization**

Chicago Atlantic BDC, Inc. (formerly, Silver Spike Investment Corp.), incorporated in Maryland on January 25, 2021, is structured as an externally managed, closed-end, non-diversified management investment company. We have elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (“1940 Act”). In addition, for U.S. federal income tax purposes, we have elected to be treated, and intend to qualify annually to be treated, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with our taxable year ended March 31, 2022. See “—Material U.S. Federal Income Tax Considerations—Taxation as a Regulated Investment Company.” Also, we are an “emerging growth company,” as defined in the JOBS Act, and intend to take advantage of certain exemptions for emerging growth companies allowing us to temporarily forego the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002.

On February 8, 2022, we completed our initial public offering (“IPO”) of 6,071,429 shares of our common stock, par value \$0.01, at a price of \$14.00 per share. We commenced operations on February 8, 2022, receiving approximately \$83.3 million in total net proceeds from the offering, after deducting estimated organizational and offering expenses.

On February 25, 2022, the underwriters of the IPO exercised their option to purchase an additional 142,857 shares of common stock from the Company. The partial exercise of the over-allotment option closed on March 1, 2022, resulting in additional gross proceeds to the Company of approximately \$2 million, before deducting offering expenses payable by the Company.

On February 4, 2022, our common stock began trading on the Nasdaq Global Market. Since October 2, 2024, our common stock trades on the Nasdaq Global Market under the symbol “LIEN.”

On February 20, 2024, the Company announced that the Board of Directors of the Company (the “Board”) unanimously approved an expansion of the Company’s investment strategy to permit investments in companies outside of the cannabis and health and wellness sectors that otherwise meet the Company’s investment criteria. The investment strategy change became effective on April 22, 2024.

On October 1, 2024, the Company completed its previously announced acquisition from Chicago Atlantic Loan Portfolio, LLC (“CALP”) of a portfolio of loans (the “Loan Portfolio”) in exchange for newly issued shares of the Company’s common stock (the “Loan Portfolio Acquisition”), pursuant to the Purchase Agreement, dated as of February 18, 2024, between the Company and CALP (the “Loan Portfolio Acquisition Agreement”). In accordance with the terms of the Loan Portfolio Acquisition Agreement, at the effective time of the Loan Portfolio Acquisition, the Company issued 16,605,372 shares of its common stock to CALP in exchange for the Loan Portfolio, which was determined by the Company to have a fair value of \$219,621,125 as of September 28, 2024. See “Note 13 – Loan Portfolio Acquisition” in the notes to the financial statements included with this annual report on Form 10-K for further information regarding the Loan Portfolio Acquisition.

On October 1, 2024, the Adviser and Chicago Atlantic BDC Holdings, LLC (together with its affiliates, “Chicago Atlantic”), the investment adviser of CALP, consummated a previously announced transaction pursuant to which a joint venture between Chicago Atlantic and the Adviser has been created to combine and jointly operate the Adviser’s, and a portion of Chicago Atlantic’s, investment management businesses (the “Joint Venture”). As the Joint Venture caused the automatic termination of the prior investment advisory agreement between the Company and the Adviser (the “Prior Investment Advisory Agreement”), a new investment advisory agreement between the Company and the Adviser (the “New Investment Advisory Agreement”), which was approved by the Board, upon the recommendation of its special committee, and the Company’s stockholders, took effect upon the closing of the Joint Venture. The New Investment Advisory Agreement has the same base management and incentive fee as, and otherwise does not materially differ from, the Prior Investment Advisory Agreement.

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company entered into a new license agreement (the “New License Agreement”) with the Adviser pursuant to which the Adviser has agreed to grant the Company a nonexclusive, royalty-free license to use the name “Chicago Atlantic.” Under the New License Agreement, the Company will have a right to use the “Chicago Atlantic” name, for so long as the Adviser or one of its affiliates remains the Company’s investment adviser. Other than with respect to this limited license, the Company will have no legal right to the “Chicago Atlantic” name. The New License Agreement does not materially differ from the prior license agreement between the Company and the Adviser, other than with respect to the licensed name.

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company and the Adviser entered into an expense limitation agreement (the “Expense Limitation Agreement”) pursuant to which the Adviser has agreed to cap the Company’s operating expenses (excluding base management fees, incentive fees, expenses related to the Loan Portfolio Acquisition, and litigation and indemnification expenses) at an annualized rate of 2.15% of the Company’s net assets through September 30, 2025. On February 14, 2025, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that any interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

**CHICAGO ATLANTIC BDC, INC.**

In connection with the Loan Portfolio Acquisition and the Joint Venture, the Board and the officers of the Company changed as follows: (i) Frederick C. Herbst (Independent Director), John Mazarakis (Partner at Chicago Atlantic), and Jason Papastavrou (Independent Director) joined the Board, to serve until the 2025, 2026, and 2027 annual meetings of stockholders, respectively, and until their respective successors are duly elected and qualified; (ii) Andreas Bodmeier (Partner at Chicago Atlantic) replaced Mr. Gordon as Chief Executive Officer of the Company; (iii) Mr. Gordon became Executive Chairman of the Board and Co-Chief Investment Officer of the Company; (iv) Umesh Mahajan became Co-Chief Investment Officer of the Company in addition to remaining Chief Financial Officer and Secretary of the Company; and (v) Dino Colonna (Partner at the Adviser) became the President of the Company. Each officer of the Company will serve until his successor has been duly elected and qualified, or until the earlier of his resignation or removal.

In addition, in connection with the Loan Portfolio Acquisition and the Joint Venture, the Company has been renamed “Chicago Atlantic BDC, Inc.,” and its ticker symbol has been changed to “LIEN,” and the Adviser has been renamed “Chicago Atlantic BDC Advisers, LLC.” The changes to the Company’s name and ticker symbol became effective in the market at the open of business on October 2, 2024.

## Overview

We are a specialty finance company focused on investing in companies in highly complex and highly regulated industries typically underserved by other capital providers, including investing across the cannabis ecosystem through investments in the form of direct loans to privately held cannabis companies. Although we primarily focus on investments in the cannabis industry, we may also invest in growth and technology companies, esoteric and asset-based lending opportunities, and liquidity solutions opportunities as described further below.

Our investment objective is to maximize risk-adjusted returns on equity for our shareholders. We seek to capitalize on, among other things, what we believe to be nascent cannabis industry growth, and drive return on equity by generating current income from our debt investments and capital appreciation from our equity and equity-related investments. We intend to achieve our investment objective by investing primarily in secured debt, unsecured debt, equity warrants and direct equity investments in privately held businesses. We intend that our debt investments will often be secured by either a first or second priority lien on the assets of the portfolio company, can include either fixed or floating rate terms and will generally have a term of between three and six years from the original investment date. To date, we have been focused on investing in first lien secured, fixed and floating rate debt with terms of two to four years. We expect our secured loans to be secured by various types of assets of our borrowers. While the types of collateral securing any given secured loan will depend on the nature of the borrower's business, common types of collateral we expect to secure our loans include real property and certain personal property, including equipment, inventory, receivables, cash, intellectual property rights and other assets to the extent permitted by applicable laws and the regulations governing our borrowers. Certain attractive assets of our cannabis borrowers, such as cannabis licenses and cannabis inventory, may not be able to be used as collateral or transferred to us. See "Item 1A. Risk Factors—Risks Relating to Our Investments—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." In some of our portfolio investments, we expect to receive nominally priced equity warrants and/or make direct equity investments in connection with a debt investment. In addition, a portion of our portfolio may be comprised of derivatives, including total return swaps.

Generally, the loans we invest in have a complete set of financial maintenance covenants, which are used to proactively address materially adverse changes in a portfolio company's financial performance. However, we may invest in "covenant-lite" loans. We use the term "covenant-lite" to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, "covenant-lite" loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. Accordingly, to the extent we invest in "covenant-lite" loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with a complete set of financial maintenance covenants.

The loans in which we tend to invest typically pay interest at rates which are determined periodically on the basis of U.S. Prime Rate ("PRIME") or Secured Overnight Financing Rate ("SOFR") plus a premium. The loans in which we have invested and expect to invest are typically made to U.S. and, to a limited extent, non-U.S. (including emerging market) corporations, partnerships and other business entities which operate in various industries and geographical regions. These loans typically are not rated or are rated below investment grade. Securities rated below investment grade are often referred to as "high-yield" or "junk" securities, and may be considered a higher risk than debt instruments that are rated above investment grade.

We have typically invested in and expect to continue to invest in loans made primarily to private leveraged lower middle-market and middle-market companies with up to \$100 million of earnings before interest, taxes, depreciation and amortization, or "EBITDA." Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. We expect that our investments will generally range between \$2 million and \$50 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We have an active pipeline of investments and are currently reviewing approximately \$644 million of potential investments in varying stages of underwriting.

The following describes the four primary current sub-strategies of our principal investment strategy. We are not required to have a minimum investment in any of these sub-strategies.

### Cannabis

All of our cannabis investments are designed to be compliant with all applicable laws and regulations within the jurisdictions in which they are made or to which we are otherwise subject, including U.S. federal laws. We will make equity investments only in companies that are compliant with all applicable laws and regulations within the jurisdictions in which they are located or operate, including U.S. federal laws. We may make loans to companies that we determine based on our due diligence are licensed in, and complying with, state-regulated cannabis programs, regardless of their status under U.S. federal law, so long as the investment itself is designed to be compliant with all applicable laws and regulations in the jurisdiction in which the investment is made or to which we are otherwise subject, including U.S. federal law. We are externally managed by the Adviser and seek to expand the compliant cannabis investment activities of the Adviser's leading investment platform in the cannabis industry. We primarily seek to partner with private equity firms, entrepreneurs, business owners and management teams to provide credit and equity financing alternatives to support buyouts, recapitalizations, growth initiatives, refinancings and acquisitions across cannabis companies, including cannabis-enabling technology companies, cannabis-related health and wellness companies, and hemp and cannabidiol ("CBD") distribution companies. Under normal circumstances, each such cannabis company derives at least 50% of its revenues or profits from, or commits at least 50% of its assets to, activities related to cannabis at the time of our investment in the cannabis company. We are not required to invest a specific percentage of our assets in such cannabis companies, and we may make debt and equity investments in other companies regardless of sector.

The Adviser seeks to invest in cannabis companies that it believes have some or all of the following characteristics:

- Growth or EBITDA positive entities
- Companies that require capital but do not want to dilute their equity
- Companies that are showing strong cash flow performance with low leverage profiles
- Transactions that tend to be attractively priced and have better than normal covenants and amortization due to complexity of the industry
- Low debt to enterprise value

Growth & Technology

Our growth and technology sub-strategy is focused on industry leaders and disruptive companies that are experiencing strong growth trajectories and typically need capital to support continued revenue growth or expansion of the business. In most cases, these businesses have found a niche in their respective markets, proven their customer value proposition, and have already reached significant revenue milestones. These businesses include both private equity and venture capital backed businesses, as well as non-sponsor backed companies. In most cases, a significant amount of equity capital has been raised, resulting in low overall loan to enterprise value.

The Adviser seeks to invest in growth and technology focused companies that it believes have some or all of the following characteristics:

- Industry leaders and disruptive companies experiencing strong growth
- Companies that have raised significant equity capital validating market value
- Industry focus typically includes software, hardware, e-commerce, direct to consumer and other fast-growing companies
- Liquidity covenants that ensure such company has adequate cash runway
- Low debt to enterprise value
- Profitable or demonstrated path to near term profitability

Esoteric & Asset-Based Lending

The esoteric and asset-based lending sub-strategy is focused on established companies with strong cash flow profiles in industries that carry idiosyncratic or reputational risks, which limit access to traditional sources of capital. The sub-strategy also includes companies or opportunities that have strong asset collateral coverage, low loan values or other attractive risk-reward features. The lack of access to traditional sources of capital typically enables us to extract lender-friendly terms and covenants from companies with relatively low leverage and overall credit risk.

The Adviser seeks to invest in esoteric industries or companies in need of asset-based loans that it believes have some or all of the following characteristics:

- Companies that are showing strong cash flow performance with low leverage profiles, but the industries carry regulatory, reputational or other risks
- Companies with attractive assets, including, but not limited to, accounts receivable, equipment or real estate
- Transactions that tend to be attractively priced and have better than normal covenants and amortization due to complexity of the industry or situation
- Low debt to asset value and/or enterprise value ratios

Liquidity Solutions

The liquidity solutions lending sub-strategy is typically focused on event-driven opportunities including, but not limited to, mergers, acquisitions, refinancings, dividend recaps or other strategically driven liquidity needs to established businesses. These businesses also tend to be in complex industries, have time-sensitive aspects to financing, or require idiosyncratic structuring expertise that enables us to extract relatively lender friendly terms and covenants.

The Adviser seeks to invest in liquidity solutions opportunities that it believes have some or all of the following characteristics:

- Financing is typically event driven
- Companies that are pursuing a merger, acquisition, refinancing, dividend recap, or other strategic liquidity need
- Companies that are showing strong cash flow performance with low leverage profiles
- Companies that have multiple areas of value and liquidity in addition to the underlying business
- Low debt to enterprise value ratios

None of our investment policies are fundamental, and thus may be changed without stockholder approval.

**The Adviser and Administrator – Chicago Atlantic BDC Advisers, LLC**

Chicago Atlantic BDC Advisers, LLC serves as our investment adviser pursuant to an investment advisory agreement between us and the Adviser (the “Investment Advisory Agreement”). See “—Investment Advisory Agreement.” The Adviser also serves as our Administrator pursuant to an administration agreement (the “Administration Agreement”) between us and the Adviser. See “—Administration Agreement.” The Adviser is a Delaware limited liability company that is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Adviser is an affiliate of Chicago Atlantic and part of Chicago Atlantic’s credit platform, which focuses on direct lending.

The Adviser’s investment team (the “Investment Team”) is led by Andreas Bodmeier, Scott Gordon, Umesh Mahajan, John Mazarakis and Peter Sack, and is supported by certain members of the Adviser’s senior leadership team and Chicago Atlantic’s credit platform’s investment committees. The Investment Team sources investment opportunities, conducts research, performs due diligence on potential investments, structures the Company’s investments and monitors the Company’s portfolio companies on an ongoing basis. Subject to the overall supervision of our Board of Directors, the Adviser manages our day-to-day operations, and provides investment advisory and management services to us.

As of December 31, 2024, Chicago Atlantic managed \$1.9 billion Capital Under Management (total committed investor capital, total available leverage including undrawn capital, and capital invested by co-investors and managed by the firm). Chicago Atlantic is an alternative investment manager focused on industries and companies where demand for capital exceeds traditional supply. Chicago Atlantic’s investment strategies include opportunistic private credit and equity with focuses on loans to esoteric industries, specialty asset-based loans, liquidity solutions and growth and technology finance. We refer to the Company, Chicago Atlantic Real Estate Finance, Inc. (NASDAQ: REFI), and the private funds and separately managed accounts managed by Chicago Atlantic as the “Chicago Atlantic Credit Clients.”

Chicago Atlantic Credit Clients may have overlapping objectives with us. The Adviser and its affiliates may face conflicts in the allocation of investment opportunities to us and others. In order to address these conflicts, Chicago Atlantic has put in place an investment allocation policy that addresses the allocation of investment opportunities as well as co-investment restrictions under the 1940 Act. See “—Material Conflicts of Interest.”

In addition, we rely on an order for exemptive relief (the “Order”) that has been granted to the Adviser and its affiliates by the SEC to co-invest with other funds managed by the Adviser or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. Pursuant to such exemptive relief, we generally are permitted to co-invest with certain of our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our directors who are not “interested persons,” as defined in Section 2(a)(19) of the 1940 Act (the “Independent Directors”) make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to us and our shareholders and do not involve overreaching by us or our shareholders on the part of any person concerned, (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies, (3) the investment by our affiliates would not disadvantage us, and our participation would not be on a basis different from or less advantageous than that on which our affiliates are investing and (4) the proposed investment by us would not benefit the Adviser or its affiliates or any affiliated person of any of them (other than parties to the transaction), except to the extent permitted by the exemptive relief and applicable law, including the limitations set forth in Section 57(k) of the 1940 Act.

Chicago Atlantic’s allocation policy incorporates the conditions of the Order. As a result of the Order, there could be significant overlap in our investment portfolio and the investment portfolio of the Chicago Atlantic Credit Clients that could avail themselves of the exemptive relief and that have an investment objective similar to ours. See “Item 1A. Risk Factors - Risks Relating to Conflicts of Interest – There are significant potential conflicts of interest that could adversely impact our investment returns.”

The Adviser or its affiliates may engage in certain origination activities and receive attendant arrangement, structuring or similar fees from portfolio companies. See “Item 1A. Risk Factors - Risks Relating to Conflicts of Interest – Our Adviser and its affiliates may face conflicts of interest with respect to services performed for issuers in which we may invest.”

**Cannabis Market Overview**

The cannabis industry has experienced significant growth over the last several years. Canada legalized cannabis for adult use in 2018, and forty states and several territories, have legalized some form of whole-plant cannabis cultivation, sales and use for certain medical or recreational purposes. The cannabis industry is still in the early stages of its development and should continue to achieve significant growth both domestically and internationally over the coming years. 2024 estimated U.S. state-legal cannabis retail sales reached \$32 billion, and is expected to reach approximately \$58 billion by 2030.<sup>1</sup> We believe continued legalization of cannabis and the normalization of cannabis and its many uses - therapeutic, recreational and general health and wellness, are creating an attractive opportunity to invest in related businesses. At the same time, the cannabis industry is highly fragmented and subject to a complex regulatory framework, creating significant barriers to entry.

The transition of the cannabis and derivative products to a regulated and legal marketplace has been happening at a rapid pace over recent years, with full legalization in Canada (2018) and legislative momentum continuing to expand the U.S. market. There have been hundreds of businesses launched across various sub-sectors of the cannabis industry, many of which have raised significant amounts of capital, mainly from retail and family office investors, in both public and private markets. In addition, large multinational alcohol and tobacco companies have made strategic investments into the Canadian cannabis sector to diversify their core business while protecting against potential market share loss to cannabis.

Broadly speaking, the cannabis industry is still in its early stages, and we believe that businesses with strong management teams, deep operational expertise and financial acumen will thrive in this large and growing market. As cannabis markets continue to grow, there will be increased demand for capital on behalf of cannabis industry operators and ancillary companies serving the industry.

The cannabis capital markets, both credit and equity, are still currently dominated by small funds and family offices, which we believe lack the experience and capital to navigate such a dynamic and complex environment. Furthermore, the vast majority of banks and institutional investment funds are not lending to the cannabis industry, given the current regulatory environment, creating a void in the market for credit-based solutions.

Historically, cannabis firms have funded operations with equity, but as the industry matures and companies become more sensitive to equity dilution, we expect demand for credit-based solutions to increase. Market turbulence also added to the significant decrease in total capital raised for the cannabis industry in recent years and has driven debt capital to increase significantly as a percentage of total capital raised. The reliance on debt financing is something we expect to continue until significant reform is enacted at the federal level.

The cannabis industry entered 2024, as in past years, with optimism for partial federal reform driven by a legislative process, but these hopes quickly faded over the first few months of the year as progress seemed to stall among congressional leaders. There were also high hopes for rescheduling cannabis from Schedule I to Schedule III of the Controlled Substances Act, but progress stalled towards the end of the year as hearings were delayed and it seemed that the DEA may not have been fully supporting the initiative. Rescheduling cannabis to Schedule III would have provided significant tax relief to the industry, but the outlook for the process and the ultimate outcome remains murky at best.

Public and Private Cannabis Capital Raises in the United States:

Year	Equity (in billions)	Debt (in billions)
2019	\$4.3	\$1.1
2020	\$1.4	\$1.3
2021	\$5.1	\$3.8
2022	\$1.3	\$2.0
2023	\$0.4	\$0.6
2024	\$0.5	\$1.2

Source: *Viridian Cannabis Deal Tracker*

<sup>1</sup> See MJBiz Factbook 2024.

Public and Private Cannabis Mergers and Acquisitions in the United States:

Year	Deals
2019	164
2020	51
2021	220
2022	109
2023	67
2024	45

Source: *Viridian Cannabis Deal Tracker*

We expect overall capital markets activity to remain muted until the Drug Enforcement Agency and Health and Human Services restart the public hearing process required to potentially reschedule cannabis. This is hard to predict since part of the process is relying on the judicial process and part could be significantly influenced by the new presidential administration, if they choose to do so. While President Trump was supportive of Florida enacting recreational cannabis in late 2024, which ultimately failed, his administration has been quiet on cannabis since. Regardless of the outcome or ultimate stance the new administration takes, we continue to expect demand for credit-based solutions to increase, as companies continue to prefer less dilutive forms of growth capital and equity capital remains scarce. The lack of competition and financing options for cannabis businesses is as stark as we have seen in recent years and has created an opportune environment for us to make attractive growth capital investments from an advantageous position – the ability to drive terms and enhance structural protections while capturing above average risk-adjusted returns.

#### Non-Cannabis Market Overview

Although we primarily focus on investments in the cannabis industry, we also invest and lend in market niches where others are retreating or in smaller deals often overlooked by large direct lenders. We focus on exploiting pricing opportunities in less crowded markets that remain underfollowed by large institutional capital and/or currently provide an attractive entry point advantage due to tightening financial market conditions. The companies and opportunities that we focus on are primarily in the lower middle-market, but can also include the middle-market, and have investment sizes that typically range from \$2 million to \$50 million. The capital raising environment for private credit broadly continued its strong momentum in 2024, finishing the year with \$209 billion in final closes—a 5% increase over 2023, making it another blockbuster fundraising year for the asset class.<sup>(1)</sup> Despite this record-breaking capital raise, a growing trend is emerging: capital is increasingly concentrated in a handful of mega-funds. In 2024, five private credit funds each raised \$10 billion or more, accounting for \$89 billion combined—which represented two-thirds of all direct lending fundraising and over 40% of total private credit fundraising.<sup>(1)</sup> This capital concentration trend has created a barbell effect, where the largest funds continue to scale, competing for big-ticket, low-spread deals, while niche lenders like us continue to capitalize on the opportunity in smaller companies that enable us to maintain pricing power and stronger deal terms.

These investments typically fall into three sub-strategies and include growth and technology companies, esoteric and asset-based lending opportunities, and liquidity solutions opportunities. Our growth and technology sub-strategy is focused on industry leaders and disruptive companies that are experiencing strong growth trajectories and typically need capital to support continued revenue growth or expansion of the business. The esoteric and asset-based lending sub-strategy is focused on established companies with strong cash flow profiles in industries that carry idiosyncratic or reputational risks, which limit access to traditional sources of capital. The liquidity solutions lending sub-strategy is typically focused on event-driven opportunities including, but not limited to, mergers, acquisitions, refinancings, dividend recapitalizations or other strategically driven liquidity needs to established businesses. Our extensive origination network enables us to source opportunities in these unique industries and companies that are not straightforward to underwrite, have a time sensitive capital need or complex circumstances, and are typically not sponsored by private equity firms.

We believe that the lower middle-market, and certain parts of the middle-market, will continue to offer better risk adjusted return potential, and stronger loan structures and covenants, in part due to the expertise required to underwrite companies in this part of the market, and in part due to reduced competition from banks and large funds.

<sup>(1)</sup> Sources: Preqin, PitchBook Data, Inc.

#### Potential Market Trends

We believe the lower middle-market and the middle-market lending environment provides opportunities for us to meet our goal of making investments that generate attractive risk-adjusted returns based on a combination of the following factors, which continue to remain true in the current environment.

**Limited Availability of Capital for both Cannabis Companies and Non-Cannabis Lower Middle-Market Companies.** We believe that regulatory and structural changes in the market have generally reduced the amount of capital available to U.S. lower middle-market and middle-market companies, and, specifically, to cannabis companies. We believe that many commercial and investment banks have, in recent years, de-emphasized their service and product offerings to lower middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, these lenders may be constrained in their ability to underwrite and hold bank loans and high-yield securities for lower middle-market issuers as they seek to meet existing and future regulatory capital requirements. We also believe that there is a lack of market participants that are willing to hold meaningful amounts of certain lower middle-market loans. As a result, we believe our ability to minimize syndication risk for a company seeking financing by being able to hold its loans without having to syndicate them, coupled with reduced capacity of traditional lenders to serve the lower middle-market, present an attractive opportunity to invest in lower middle-market companies.

**Robust Demand for Debt and Equity Capital.** We believe U.S.-based cannabis companies and lower middle-market non-cannabis companies will continue to require access to debt capital to support growth, refinance existing debt, and finance acquisitions. We expect that private equity sponsors and entrepreneurs will continue to pursue acquisitions and leverage their equity investments with secured and unsecured loans provided by companies such as us.

**Attractive Investment Dynamics.** An imbalance between the supply of, and demand for, cannabis debt capital and lower middle-market loans creates attractive pricing dynamics. We believe the directly negotiated nature of direct lending also generally provides more favorable terms to the lender, including stronger covenant and reporting packages, better call protection, and lender-protective change of control provisions. Additionally, we believe our expertise in credit selection and in investing in the cannabis industry and other niche lower middle-market companies provides a strong basis for success.

**Conservative Capital Structures.** Given the limited access to credit for the cannabis industry and businesses in the lower middle-market, such companies have typically been funded with equity capital from entrepreneurs, family offices and, to a lesser extent, smaller private equity firms. The significant amount of equity invested in these companies should provide us with opportunities to lend to companies that have a larger percentage of equity as a percentage of their total capitalization than middle-market and upper middle-market companies. With more conservative capital structures, federally legal cannabis companies and other companies in the lower middle-market can have higher levels of cash flows available to service their debt. In addition, we generally expect borrowers we target to have simpler capital structures than larger borrowers, which facilitates a streamlined underwriting process and, when necessary, restructuring process.

**Attractive Opportunities in Investments in Loans.** We invest in senior secured or unsecured loans, subordinated loans or mezzanine loans, equity and equity-related securities. We believe that opportunities in loans are significant because of the floating rate structure of most senior secured debt issuances and because of the strong defensive characteristics of these types of investments. Given the current low interest rate environment, we believe that debt issued with floating interest rates and interest rate floors offer a superior return profile as compared with fixed-rate investments, since floating rate structures are generally less susceptible to declines in value experienced by fixed-rate securities in a volatile interest rate environment. Senior secured debt also provides strong defensive characteristics. Senior secured debt has priority in payment among an issuer's security holders whereby holders are due to receive payment before junior creditors and equity holders. Further, these investments are secured by the issuer's assets, which may provide protection in the event of a default.

**Attractive Opportunities in Equity Investments.** We believe that opportunities to invest in the equity of federally legal cannabis and non-cannabis businesses are significant. We expect that our ability to identify emerging businesses and to provide credit to these businesses will provide us with proprietary equity investment opportunities. Our management team's experience investing in and operating businesses in the federally legal cannabis industry and in the lower middle-market will help us identify high-quality businesses, and our management team's expertise will be beneficial to our portfolio companies.

## **Business Strategy**

Our investment objective is to maximize risk-adjusted returns on equity for our shareholders. We seek to capitalize on, among other things, what we believe to be nascent cannabis industry growth and a large opportunity set in the lower middle-market to drive return on equity by generating current income from our debt investments and capital appreciation from our equity and equity-related investments. We have adopted the following business strategy to achieve our investment objective.

**However, there can be no assurances that we will be able to successfully implement our business strategy and, as a result, meet our investment objective.**

Our business strategy is to identify investment opportunities in businesses in the cannabis industry and the lower middle-market. All of our investments in cannabis companies are designed to be compliant with all applicable laws and regulations within the jurisdictions in which they are made or to which we are otherwise subject, including U.S. federal laws. We believe that there is an opportunity to take advantage of a newly emerging industry, with a variety of established operators seeking access to capital and managerial expertise. We also believe that there is an opportunity to take advantage of opportunities we see in the lower middle-market that banks have retreated from in recent years and larger credit funds often ignore. We intend to leverage our team's collective investing, operating, technical, regulatory and legal expertise to build a strong business with competitive advantages to emerge as a leading public company in our focus area.

As the cannabis industry continues to transition to a new legislative and regulatory framework, and companies in the lower middle-market continue to find growth opportunities, we believe that many businesses will need a partner that can assist in providing a level of operational and financial expertise to support their growth. Our team includes a variety of investment, operational and healthcare professionals who will provide operating, technical, regulatory and legal expertise to evaluate investment opportunities. Our team includes Scott Gordon, John Mazarakis, Andreas Bodmeier, Umesh Mahajan, Dino Colonna and Peter Sack, all of whom have extensive expertise in cannabis-related and non-cannabis industries. Our team consists of professionals who have decades of experience in capital markets globally and have extensive scientific and medical knowledge of the plant and its many compounds, and includes entrepreneurs and founders of middle-market businesses.

Our plan is to leverage our management team's networks of industry relationships, knowledge and experience to become the leading investor in the legal cannabis industry and in the lower middle-market. Over the course of their careers, the members of our management team have developed a broad network of contacts and corporate relationships that we believe will serve as a useful source of investment opportunities. We plan to leverage relationships with management teams of public and private companies, investment professionals at private equity firms and other financial sponsors, owners of private businesses, investment bankers, restructuring advisers, consultants, attorneys and accountants, which we believe should provide us with a number of investment opportunities.

**Potential Competitive Advantages**

We believe that our Adviser is one of only a select group of specialty lenders that has its depth of knowledge, experience, and track record in lending to businesses in the cannabis industry and the lower middle-market. Our other potential competitive advantages include:

**Our Adviser has deep industry and operating expertise on its management team and advisory board.** Our Adviser has the ability to tap into this expertise for each of our target investment opportunities. The expertise, knowledge and experience of these individuals allows them to understand and evaluate the business plans, products and financing needs of businesses in the cannabis industry and across the middle-market.

**Direct origination networks that benefit from relationships with entrepreneurs, business brokers and private equity firms.** Our Adviser seeks to be the first contact for professionals focused on raising capital for businesses in the cannabis industry and the lower middle-market. Given the history of our Adviser's management team and advisory board as investors in the cannabis industry and the lower middle-market, they have established relationships with the major investment banks and business brokers across various industries. Our Adviser also focuses on sourcing investment opportunities from private equity and venture capital firms that have been active in cannabis or the lower middle-market more broadly. Given our Adviser's reputation in lending to these types of companies, it also receives referrals directly from executive officers of businesses across many industries.

**A dedicated staff of professionals covering investment origination and underwriting, as well as portfolio management functions.** Our Adviser has a broad team of professionals focused on every aspect of the industries and opportunities we focus on. Our Adviser has an investment team that manages and oversees our investment process from identification of investment opportunity through negotiations of final term sheet and investment in a portfolio company. The team members serving our investment management and oversight functions have significant industry and operating experience.

**Investment Criteria**

Consistent with our business strategy, our Adviser has identified the following general, non-exclusive criteria and guidelines that we believe are important in evaluating prospective investment opportunities. We intend to focus on businesses that we believe:

- **exhibit institutional-level operations and financial controls.** We intend to identify businesses that have leading relying infrastructure and operations to survive and excel in their respective industries;
- **have durable competitive advantages that are differentiated in their sector.** We intend to invest in businesses that not only benefit from secular tailwinds in their respective industries, but also exhibit hard-to-replicate competitive advantages amongst their peers; and
- **are fundamentally sound with consistent operational performance and free cash flow generation.** We expect to identify businesses that have historically exhibited profitability and strong cash flow generation. Our management team has a proven track record accelerating growth of companies with strong past performance.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular investment opportunity may be based, to the extent relevant, on these general criteria and guidelines as well as other considerations, factors and criteria that our management may deem relevant.

**Investments**

We seek to invest in portfolio companies primarily in the form of loans (secured and unsecured), but may include equity warrants and direct equity investments. The loans typically pay interest with some amortization of principal. Interest is generally paid on a floating rate basis, often with a floor, on benchmark rates such as the PRIME or SOFR rate. We generally seek to obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company. In some of our portfolio investments, we expect to receive nominally priced equity warrants and/or make direct equity investments in connection with a debt investment. In addition, a portion of our portfolio may be comprised of derivatives, including total return swaps.

We expect that our loans will typically have final maturities of two to six years. However, we expect that our portfolio companies often may repay these loans early, generally within three years from the date of initial investment.

We seek to tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. We seek to limit the downside potential of our investments by negotiating covenants in connection with our investments that afford our portfolio companies flexibility in managing their businesses, consistent with preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

**Investment Process*****Investment Originations; New Opportunities Referred***

The Adviser has a multi-channel sourcing strategy focused on entrepreneurs, venture capital firms, private equity firms and investment banks, as well as brokers who focus on our industries. The Adviser seeks to interact directly with operating businesses owned and advised by these groups, and typically negotiates investment terms directly with potential portfolio companies. The Adviser focuses on businesses with strong management teams who have a successful history managing their companies. The Adviser has a nationwide network, and has built relationships with these operators and investors. The Adviser has established itself a leading provider of financial solutions for the cannabis industry and the lower middle-market.

When a new investment opportunity is identified, a member of the Adviser's investment team typically speaks with the prospective portfolio company to gather information about the business and its financing and capital needs. If, following this call, the investment team sees an opportunity as a potential fit with our investment strategy and criteria, the investment team asks the prospective portfolio company to submit an information package, which includes detailed information regarding the portfolio company's products or services, capitalization, customers, historical financial performance, and forward-looking financial projections.

Once received, the portfolio company's information package is then reviewed by the investment team and a summary investment memorandum is shared with our Adviser's Investment Committee.

***Preliminary Due Diligence and Executive Summary***

The next phase of the due diligence process involves a structured call with the management team of the prospective portfolio company. A detailed discussion including a discussion of the prospective portfolio company's products or services, market dynamics, business model, historical financial performance and projections, management team, existing investors and capital structure and debt. Following the management call, if the opportunity still appears to be worthy of consideration, an executive summary memorandum is prepared by the due diligence team for consideration and voting by our Adviser's Investment Committee. The executive summary memorandum is distributed to the Investment Committee, and the deal terms for the investment are defined. If approved by the Investment Committee, we issue a term sheet to the prospective portfolio company.

***Confirmatory Due Diligence and On-Site Meeting***

If the term sheet offered by us is accepted by the prospective portfolio company, the process of obtaining additional confirmatory due diligence begins. The confirmatory due diligence process typically includes calls with the key constituents of the portfolio company, as well as key customers, suppliers, partners, or other stakeholders as may be deemed relevant by the due diligence team. Additional financial analysis is performed, in order to confirm the assumptions that were made prior to term sheet issuance. During this process, we engage senior members of the Adviser's investment team and advisory board to discuss industry dynamics and evaluate the business model of the portfolio company.

The final step in the confirmatory diligence process involves one or more on-site meetings, at which members of our due diligence team meet with the management team of the prospective portfolio company for a final review of the portfolio company's financial performance and forward-looking plans. These meetings are typically held at the business offices of the portfolio company; however, occasionally the meeting will be held via video teleconference if travel to the portfolio company is not possible. One or more members of our Adviser's Investment Committee will attend the on-site meeting, if possible.

***Underwriting Report and Investment Committee Vote***

Assuming that the confirmatory due diligence process reveals no issues that would cause the due diligence team to recommend against the proposed investment, the due diligence team prepares a final Investment Committee Memorandum, which is distributed to our Adviser's Investment Committee. The Investment Committee then meets to discuss and review the investment terms regarding the proposed investment. Unanimous agreement of the Investment Committee is required to approve the transaction.

***Investment Management and Oversight***

One or two members of the investment team will be responsible for monitoring the portfolio company. Beyond the dedicated portfolio management team, all of our management team members and investment professionals are typically involved at various times with our portfolio companies and investments. Our portfolio management team reviews our portfolio companies' monthly or quarterly financial statements and compares actual results to the portfolio companies' projections. Additionally, the portfolio management team may initiate periodic calls with the portfolio company's venture capital partners and its management team, and may obtain observer rights on the portfolio company's board of directors. Our management team and investment professionals anticipate potential problems by monitoring reporting requirements and having frequent calls with the management teams of our portfolio companies.

**Underwriting*****Underwriting Process and Investment Approval***

We intend to make our investment decisions only after consideration of a number of factors regarding the potential investment, including but not limited to: (i) historical and projected financial performance; (ii) company and industry-specific characteristics, such as strengths, weaknesses, opportunities and threats; (iii) composition and experience of the management team; and (iv) track record of the private equity sponsor leading the transaction.

If an investment is deemed appropriate to pursue, a more detailed and rigorous evaluation is made along a variety of investment parameters, not all of which may be relevant or considered in evaluating a potential investment opportunity. The following outlines the general parameters and areas of evaluation and due diligence we intend to utilize for investment decisions, although not all factors will necessarily be considered or given equal weighting in the evaluation process.

**Management Assessment**

Our Adviser makes an in-depth assessment of the management team, including evaluation along several key metrics:

- The number of years in their current positions;
- Track record;
- Industry experience;
- Management incentive, including the level of direct investment in the enterprise;
- Background investigations; and
- Completeness of the management team (lack of positions that need to be filled).

**Industry Dynamics**

An evaluation of the industry is undertaken by our Adviser that considers several factors. If considered appropriate, industry experts will be consulted or retained. The following factors are analyzed by our Adviser:

- Sensitivity to economic cycles;
- Competitive environment, including number of competitors, threat of new entrants or substitutes;
- Fragmentation and relative market share of industry leaders;
- Growth potential; and
- Regulatory and legal environment.

**Business Model and Financial Assessment**

Prior to making an investment decision, our Adviser undertakes a review and analysis of the financial and strategic plans for the potential investment. There is significant evaluation of the due diligence performed by the private equity sponsor, if any, and third-party experts including accountants and consultants. Areas of evaluation include:

- Historical and projected financial performance;
- Quality of earnings, including source and predictability of cash flows;
- Customer and vendor interviews and assessments;
- Potential exit scenarios, including probability of a liquidity event;
- Internal controls and accounting systems; and
- Assets, liabilities and contingent liabilities.

**Private Equity or Venture Capital Sponsor**

If applicable, additional due diligence investigations are also done to evaluate the sponsor making the investment. A private equity or venture capital sponsor is typically the controlling stockholder upon completion of an investment and, as such, can be considered critical to the success of the investment. The private equity or venture capital sponsor is evaluated along several key criteria, including:

- Investment track record;
- Industry experience;
- Capacity and willingness to provide additional financial support to the company through additional capital contributions, if necessary; and
- Reference checks.

**Portfolio Management*****Involvement in our Portfolio Companies***

As a BDC, we are obligated to offer to provide managerial assistance to our portfolio companies and to provide it if requested. In fact, we seek investments where such assistance is appropriate. However, we limit the offered (and any provided) assistance to services that would generally help any business operate in legal compliance and with good corporate governance. We do not offer any services that could be construed as assisting a borrower to grow, manufacture, or sell cannabis. The services are limited to: assistance relating to accounting and financial reporting best practices; assistance relating to tax planning and preparation; recommendations on accounting and financial reporting technology and operating systems, and assistance in negotiating with vendors and licensors of such technology; providing analyses of existing financing arrangements, assistance in negotiating additional debt financing or restructuring existing debt financing, and introductions to banks and other sources of capital; advice with respect to corporate best practices and corporate governance, including advice with respect to board structure and governance and implementing corporate codes of ethics and guidelines for transactions with related parties; assistance in preparing a portfolio company to become a public company, including guidance on public company accounting and financial reporting standards; assistance in corporate insurance planning, including analyses of appropriate coverage levels and insurance terms, and negotiating with insurance providers; assistance with human resources best practices; legal counsel referrals; and guidance on cash management.

We also monitor the financial trends of each portfolio company to assess the appropriate course of action for each company and to evaluate overall portfolio quality. We have several methods of evaluating and monitoring the performance of our investments, including, but not limited to, the following:

- Review of monthly and quarterly financial statements and financial projections for portfolio companies;
- Periodic and regular contact with portfolio company management to discuss financial position requirements and accomplishments;
- Attendance at board meetings;
- Periodic formal update interviews with portfolio company management and, if appropriate, the private equity sponsor; and
- Assessment of business development success, including product development, profitability and the portfolio company's overall adherence to its business plan.

***Rating Criteria***

In addition to various risk management and monitoring tools, we use an investment rating system to characterize and monitor the credit profile and our expected level of returns on each investment in our portfolio. We use a five-level numeric rating scale. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e., at the time of origination or acquisition), although it may also take into account the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. The rating system is as follows:

- Investments rated 1 involve the least amount of risk to our initial cost basis. The borrower is performing above expectations, and the trends and risk factors for this investment since origination or acquisition are generally favorable.
- Investments rated 2 involve an acceptable level of risk that is similar to the risk at the time of origination or acquisition. The borrower is generally performing as expected and the risk factors are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a rating of 2.
- Investments rated 3 involve a borrower performing below expectations and indicates that the loan's risk has increased somewhat since origination or acquisition.
- Investments rated 4 involve a borrower performing materially below expectations and indicates that the loan's risk has increased materially since origination or acquisition. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 120 days past due).
- Investments rated 5 involve a borrower performing substantially below expectations and indicates that the loan's risk has increased substantially since origination or acquisition. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans rated 5 are not anticipated to be repaid in full and we will reduce the fair market value of the loan to the amount we anticipate will be recovered.

In the event that we determine that an investment is underperforming, or circumstances suggest that the risk associated with a particular investment has significantly increased, we will undertake more aggressive monitoring of the affected portfolio company. While our investment rating system will identify the relative risk for each investment, the rating alone does not dictate the scope and/or frequency of any monitoring that we perform. The frequency of our monitoring of an investment will be determined by a number of factors, including but not limited to the trends in the financial performance of the portfolio company, the investment structure and the type of collateral securing our investment, if any.

**Valuation of Portfolio Investments and Net Asset Value (“NAV”) Determinations**

We generally invest in illiquid loans issued by private middle-market companies. All of our investments are recorded at fair value as determined in good faith in accordance with procedures established by our Board of Directors.

Authoritative accounting guidance defines fair value as 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. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available or reliable, valuation techniques are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the investments or market and the investments’ complexity.

Investment transactions are recorded on the trade date and are carried at fair value. Realized gains or losses are measured by the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. The net change in unrealized gains or losses primarily reflects the change in investment values, including the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period. We record current-period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized gains (losses) on investments on the Statements of Operations.

Investments for which market quotations are readily available will typically be valued at the bid price of those market quotations. To validate market quotations, we utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the Adviser, as the Company’s valuation designee (the “Valuation Designee”), based on inputs that may include valuations, or ranges of valuations, provided by independent third-party valuation firm(s) engaged by the Adviser. Effective September 8, 2022, pursuant to Rule 2a-5 under the 1940 Act, the Board designated the Adviser as the Valuation Designee to perform the fair value determinations for the Company, subject to the oversight of the Board and certain Board reporting and other requirements.

As part of the valuation process, the Adviser takes into account relevant factors in determining the fair value of our investments, including: the estimated enterprise value of a portfolio company (i.e., the total fair value of the portfolio company’s debt and equity), the nature and realizable value of any collateral, the portfolio company’s ability to make payments based on its earnings and cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company’s securities to any similar publicly traded securities, and overall changes in the interest rate environment and the credit markets that may affect the price at which similar investments may be made in the future. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Adviser considers whether the pricing indicated by the external event corroborates its valuation.

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- With respect to investments for which market quotations are readily available, those investments will typically be valued at the bid price of those market quotations;
- With respect to investments for which market quotations are not readily available, the valuation process begins with the Adviser’s valuation committee establishing a preliminary valuation of each investment, which may be based on valuations, or ranges of valuations, provided by independent valuation firm(s);
- Preliminary valuations are documented and discussed by the Adviser’s valuation committee and, where appropriate, the independent valuation firm(s); and
- The Adviser determines the fair value of each investment.

We conduct this valuation process on a quarterly basis.

We apply Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 820, Fair Value Measurement (“ASC 820”), which establishes a framework for measuring fair value in accordance with U.S. GAAP and required disclosures of fair value measurements. ASC 820 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. Market participants are defined as buyers and sellers in the principal or most advantageous market (which may be a hypothetical market) that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820, we consider the principal market to be the market that has the greatest volume and level of activity. ASC 820 specifies a fair value hierarchy that prioritizes and ranks the level of observability of inputs used in determination of fair value. In accordance with ASC 820, these levels are summarized below:

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

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If we were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected previously.

**Quarterly NAV Determination**

We determine the NAV per share of our common stock on a quarterly basis. The NAV per share of our common stock is equal to the value of our total assets minus liabilities divided by the total number of shares of common stock outstanding. Our liabilities include amounts which we have accrued under our Investment Advisory Agreement, including the management fee, Incentive Fee on Income and Incentive Fee on Capital Gains, the latter of which is accrued based upon our realized capital gains on a cumulative basis from inception through the end of each fiscal year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid Incentive Fee on Capital Gains.

**Determinations in Connection with Certain Offerings**

In connection with certain future offerings of shares of our common stock, our Board of Directors will be required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of our common stock, exclusive of any distributing commission or discount (which net asset value shall be determined as of a time within 48 hours, excluding Sundays and holidays, next preceding the time of such determination). Our Board of Directors will consider the following factors, among others, in making such determination:

- the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the net asset value of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of our common stock and ending as of a time within 48 hours (excluding Sundays and holidays) of the sale of our common stock; and
- the magnitude of the difference between (i) a value that our Board of Directors has determined reflects the current (as of a time within 48 hours, excluding Sundays and holidays) net asset value of our common stock, which is based upon the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC, as adjusted to reflect our management's assessment of any material change in the net asset value of our common stock since the date of the most recently disclosed net asset value of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Moreover, to the extent that there is a possibility that we may (i) issue share of common stock at a price per share below the then current net asset value per share at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of our common stock if the net asset value per share fluctuates by certain amounts in certain circumstances until the prospectus is amended, our Board of Directors will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value per share of common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value per share, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value per share to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records that we are required to maintain under the 1940 Act.

**Competition**

We compete for investments with a number of investment funds (including private equity funds), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of these entities have greater financial and managerial resources than we do. We believe we are competitive with these entities primarily on the basis of the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, the investment terms we offer, and our willingness to make smaller investments.

We believe that some of our competitors make loans with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete solely on the interest rates that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Item 1A. Risk Factors — Risks Relating to Our Business and Structure — We may face increasing competition for investment opportunities, which could reduce returns and result in losses."

**Human Capital**

We do not have any employees. The day-to-day management of our investment portfolio is primarily the responsibility of our Adviser and its Investment Committee, which currently consists of Andreas Bodmeier, our Adviser's Partner, Scott Gordon, the Executive Chairman of our Board of Directors, our Co-Chief Investment Officer and our Adviser's Partner, Umesh Mahajan, our Co-Chief Investment Officer and Secretary, and our Adviser's Partner, John Mazarakis, a member of our Board of Directors and our Adviser's Partner, and Peter Sack, our Chief Executive Officer and our Adviser's Partner. See "—Investment Advisory Agreement."

We reimburse the Adviser for the costs and expenses incurred by the Adviser in performing its obligations and providing personnel and facilities under the Administration Agreement (including costs and expenses incurred by the Adviser in connection with the delegation of its obligations under the Administration Agreement to a sub-administrator). We are generally not responsible for the compensation of the Adviser's employees or any overhead expenses of the Adviser (including rent, office equipment and utilities). However, we may reimburse the Adviser for an allocable portion of the compensation paid by the Adviser to our CCO and CFO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). See "—Administration Agreement."

**Investment Personnel**

The members of our Adviser's Investment Committee are not employed by us, and receive no compensation from us in connection with their portfolio management activities. The Investment Committee members receive compensation that includes an annual base salary and an annual individual performance bonus. The Investment Committee members, through their financial interests in the Adviser, are entitled to a portion of the profits earned by the Adviser, which includes any fees payable to the Adviser under the terms of the Investment Advisory Agreement, less expenses incurred by the Adviser in performing its services under the Investment Advisory Agreement.

Certain investments may be appropriate for us and other accounts managed by our Adviser or its affiliates, and the members of our Adviser's Investment Committee could face conflicts of interest in the allocation of investment opportunities between such accounts. See "—Material Conflicts of Interest."

Below are the biographies for the Investment Committee members.

- *Andreas Bodmeier.* Dr. Bodmeier served as our Chief Executive Officer from October 2024 until March 2025. Dr. Bodmeier co-founded Chicago Atlantic Group, LP in April 2019 and has served as Chicago Atlantic Real Estate Finance, Inc.'s Co-President and Chief Investment Officer since its inception in 2021. From October 2019 until December 2020, Dr. Bodmeier was a Senior Advisor to the Deputy Secretary in the Immediate Office of the Secretary at the United States Department of Health and Human Services focused on policy evaluation and the Department's response to COVID-19. From June 2015 until March 2019, Dr. Bodmeier was President of Quantitative Treasury Analytics, LLC, a boutique consulting firm focused on risk management for corporate clients as well as advising on capital structure decisions and investor relations. From May 2017 until March 2019, Dr. Bodmeier was Co-founder, Chief Investment Officer, and Chief Compliance Officer of Kinetik Finance, Inc., an SEC-registered online investment adviser for 401(k) or 403(b) retirement accounts, where he built the firm's investment methodology and compliance program. Dr. Bodmeier has also served as a consultant for hedge funds, proprietary trading firms, commercial and consumer lenders, and pharmaceutical companies. His academic research at The University of Chicago Booth School of Business focused on capital market anomalies, portfolio allocation, and risk management. Dr. Bodmeier holds a Ph.D. in Finance and MBA from The University of Chicago Booth School of Business. Dr. Bodmeier received a B.Sc. in Mathematics and a B.Sc. in Physics from Freie University Berlin, Germany, a B.Sc. in Business Economics from University of Hagen, Germany, and a M.Sc. in Statistics from Humboldt University Berlin, Germany.
- *Scott Gordon.* Mr. Gordon has served as the Executive Chairman of our Board of Directors since our inception and has served as our Co-Chief Investment Officer since October 2024. Mr. Gordon served as our Chief Executive Officer from our inception until October 2024. Prior to becoming a Partner at Chicago Atlantic in October 2024 in connection with the Joint Venture, Mr. Gordon was the Chief Executive Officer of Silver Spike Capital, an investment platform that he founded that was dedicated to the cannabis industry and included our Adviser. Prior to founding Silver Spike Capital, Mr. Gordon had been the co-founder and chairman of Egg Rock Holdings, LLC ("Egg Rock"), the parent company of the Papa & Barkley family of cannabis products, with related subsidiary assets in manufacturing, processing, and logistics. Egg Rock also is the parent company of Papa & Barkley Essentials, a hemp-derived CBD business based in Colorado. From 2016 to 2019, Mr. Gordon was also President of Fintech Advisory Inc., the investment manager for a multi-billion dollar family office fund focused on long-term and opportunistic investments in emerging markets. From late 2013 to 2016, Mr. Gordon served as a Portfolio Manager at Taconic Capital Advisors, a multi-strategy investment firm. Prior to joining Taconic, Mr. Gordon was a Partner and Portfolio Manager at Caxton Associates from 2009 to 2012. He was also a Senior Managing Director and Head of Emerging Markets at Marathon Asset Management from 2007 to 2009. Earlier in his career, Mr. Gordon held leadership positions at Bank of America and ING Capital. Mr. Gordon was a founding member of the Emerging Markets business at JP Morgan where he worked upon graduating from Bowdoin College in 1983.

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Mr. Gordon serves as an independent director of WM Technology, Inc. (formerly, Silver Spike Acquisition Corp.), which operates Weedmaps, a leading online listings marketplace for cannabis consumers and businesses, and WM Business, a comprehensive SaaS subscription offering sold to cannabis retailers and brands. From 2019 to June 2021, Mr. Gordon served as Chairperson of the Board of Directors and Chief Executive Officer of Silver Spike Acquisition Corp. From September 2020 to January 2024, Mr. Gordon also served as Chairperson of the Board of Directors and Chief Executive Officer of Silver Spike Acquisition Corp. II.

- *Umesh Mahajan.* Mr. Mahajan has served as our Secretary since May 2024 and our Co-Chief Investment Officer since October 2024. Mr. Mahajan served as our Chief Financial Officer from March 2023 until February 2025. Mr. Mahajan also serves as Partner of the Adviser. Prior to joining the Adviser in 2021, Mr. Mahajan was a Managing Director for four years at Ascribe Capital, a credit fund focused on value investing in middle market companies. From September 2003 to August 2016, Mr. Mahajan worked at Merrill Lynch and Bank of America in various roles in their Global Markets and Investment Banking divisions in New York. He specialized in credit and special situation investing as a Managing Director in the Global Credit and Special Situations group at Bank of America Securities and as a Vice President in the Principal Credit Group at Merrill Lynch. Mr. Mahajan also worked in Merrill Lynch's energy and power investment banking group for two years. From 1994 to 2001, Mr. Mahajan worked in J.P. Morgan's investment banking team in Asia. Mr. Mahajan holds a Bachelor of Technology in Electrical Engineering from the Indian Institute of Technology, Bombay and an MBA from The Wharton School of the University of Pennsylvania where he graduated as a Palmer Scholar. Mr. Mahajan also holds a Certificate in ESG Investing from the CFA Institute.
- *John Mazarakis.* Mr. Mazarakis has served as a member of our Board of Directors since October 2024. Mr. Mazarakis co-founded Chicago Atlantic Group, LP in April 2019 and has served as Chicago Atlantic Real Estate Finance, Inc.'s Executive Chairman since its inception in 2021. As a proven entrepreneur and operator with successful ventures in real estate, retail, hospitality and food logistics, Mr. Mazarakis brings over 20 years of entrepreneurial, operational, and managerial experience. He has built a 35+ restaurant chain with more than 1,200 employees, established a real estate portfolio of over 30 properties, developed over 1 million square feet of commercial real estate, and completed multiple real estate financing transactions, at a cumulative annual growth rate exceeding 25%. He has invested in and served as an advisor to multiple successful startups. Mr. Mazarakis has served as a member of the board of directors of Chicago Atlantic Real Estate Finance, Inc. (NASDAQ: REFI), a commercial mortgage REIT, since 2021. Mr. Mazarakis has also served as CEO and Co-Executive Chairman of Vireo Growth Inc. (CSE: VREO; OTCQX: VREOF), a cannabis company, since December 2024. Mr. Mazarakis holds a Bachelor of Arts in Economics from the University of Delaware and an MBA from The University of Chicago Booth School of Business.
- *Peter Sack.* Mr. Sack has served as our Chief Executive Officer since March 2025. Mr. Sack is a Managing Partner at Chicago Atlantic Group, LP. Mr. Sack is a credit investor and portfolio manager with experience investing across the capital structure. Prior to joining Chicago Atlantic, Mr. Sack was a Principal at BC Partners Credit from July 2018 to June 2021, where he sourced and underwrote across the firm's opportunistic and senior lending strategies in a wide array of industries including cannabis-related direct lending. Previously, Mr. Sack was an Associate at Atlas Holdings LLC, a private-equity firm focused on supporting distressed manufacturing and distribution companies globally, from July 2012 to June 2016. Mr. Sack serves on the boards of directors of Chicago Atlantic Real Estate Finance, Inc., Ability Insurance Company, and the New York City Charter School of the Arts. Mr. Sack speaks Mandarin Chinese and Spanish. Mr. Sack holds a Bachelor of Arts degree in East Asian Studies from Yale University, and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and was a Fulbright Scholar at Sun Yat-sen University in China.

**Investment Advisory Agreement****Management Services**

Chicago Atlantic BDC Advisers, LLC manages the Company and oversees all of its operations. The Adviser is registered as an investment adviser under the Advisers Act. Our Adviser serves pursuant to the Investment Advisory Agreement in accordance with the Advisers Act. Subject to the overall supervision of our Board of Directors, our Adviser manages our day-to-day operations and provides us with investment advisory services. Under the terms of the Investment Advisory Agreement, our Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- determines what securities and other assets we purchase, retain or sell;
- identifies, evaluates and negotiates the structure of the investments we make;
- executes, monitors and services the investments we make;
- performs due diligence on prospective portfolio companies; and
- provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds, including providing operating and managerial assistance to us and our portfolio companies as required.

From time to time, the Adviser may pay amounts owed by us to third-party providers of goods or services, including the Board of Directors, and we will subsequently reimburse the Adviser for such amounts paid on its behalf. Amounts payable to the Adviser are settled in the normal course of business without formal payment terms.

Our Adviser's services under the Investment Advisory Agreement are not exclusive and it is free to furnish similar services to other entities so long as its services to us are not impaired.

**Management Fee**

We pay our Adviser a fee for its services under the Investment Advisory Agreement consisting of two components: a base management fee and an incentive fee. The cost of both the base management fee payable to our Adviser and any incentive fees payable to our Adviser is ultimately borne by our common stockholders.

**Base Management Fee**

The base management fee is calculated at an annual rate of 1.75% of our gross assets (i.e., total assets held before deduction of any liabilities), which includes any investments acquired with the use of leverage and excludes any cash and cash equivalents (as defined in the notes to our financial statements). The fair value of derivatives and swaps, which will not necessarily equal the notional value of such derivatives and swaps, will be included in our calculation of gross assets. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed quarters. For example, the average value of our gross assets used for calculating the third quarter base management fee will be equal to our gross assets at the end of the second quarter plus our gross assets at the end of the third quarter, divided by two. The base management fee for any partial month or quarter, as the case may be, will be appropriately prorated and adjusted for any share issuances or repurchases during the relevant month or quarter, as the case may be.

**Incentive Fee**

The incentive fee has two parts. The first part of the incentive fee, the Incentive Fee on Income, is calculated and payable quarterly in arrears based on our "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter. For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including (i) any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, advisory, diligence and consulting fees or other fees that we receive from portfolio companies, (ii) any gain realized on the extinguishment of our own debt and (iii) any other income of any kind that we are required to distribute to our stockholders in order to maintain our RIC status) accrued during the quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement with the Adviser, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received and may never receive in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, will be compared to a "hurdle rate" of 1.75% per quarter (7% annualized), subject to a "catch-up" provision measured as of the end of each quarter. Our net investment income used to calculate the Incentive Fee on Income is also included in the amount of our gross assets used to calculate the 1.75% base management fee. The operation of the Incentive Fee on Income with respect to our Pre-Incentive Fee Net Investment Income for each quarter is as follows:

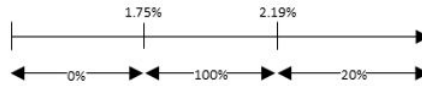
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- No Incentive Fee on Income is payable to the Adviser in any quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the “hurdle rate” of 1.75%;
- 100% of our Pre-Incentive Fee Net Investment Income, if any, that exceeds the “hurdle rate,” but is less than or equal to 2.19% in any quarter (8.76% annualized), will be payable to the Adviser. We refer to this portion of our Incentive Fee on Income as the catch up. It is intended to provide an Incentive Fee on Income of 20% on all of our Pre-Incentive Fee Net Investment Income when our Pre-Incentive Fee Net Investment Income exceeds 2.19% in any quarter;
- For any quarter in which our Pre-Incentive Fee Net Investment Income exceeds 2.19%, the Incentive Fee on Income shall equal 20% of the amount of our Pre-Incentive Fee Net Investment Income, because the preferred return and catch up will have been achieved; and
- For purposes of computing the Incentive Fee on Income, the calculation methodology will look through derivatives or swaps as if we owned the reference assets directly. Therefore, net interest income, if any, associated with a derivative or swap (which is defined as the difference between (i) the interest income and transaction fees received in respect of the reference assets of the derivative or swap and (ii) all interest and other expenses paid by us to the derivative or swap counterparty) will be included in the calculation of Pre-Incentive Fee Net Investment Income for purposes of the Incentive Fee on Income.

The following is a graphical representation of the calculation of the Incentive Fee on Income:

**Quarterly Incentive Fee on Income Based on Pre-Incentive Fee Net Investment Income**

(expressed as a percentage of the value of net assets)



**Percentage of Pre-Incentive Fee Net Investment Income Allocated to the Adviser**

The second part of the incentive fee, the Incentive Fee on Capital Gains, payable at the end of each fiscal year (or upon termination of the Investment Advisory Agreement) in arrears, equals 20% of cumulative realized capital gains from inception to the end of each fiscal year, less cumulative realized capital losses and unrealized capital depreciation from inception to the end of each fiscal year, less the aggregate amount of any previously paid Incentive Fees on Capital Gains for prior periods. In no event will the Incentive Fee on Capital Gains payable pursuant to the Investment Advisory Agreement be in excess of the amount permitted by the Advisers Act, including Section 205 thereof.

For purposes of computing the Incentive Fee on Capital Gains, the calculation methodology will look through derivatives or swaps as if we owned the reference assets directly. Therefore, realized gains and realized losses on the disposition of any reference assets, as well as unrealized depreciation on reference assets retained in the derivative or swap, will be included on a cumulative basis in the calculation of the Incentive Fee on Capital Gains.

While the Investment Advisory Agreement neither includes nor contemplates the inclusion of unrealized gains in the calculation of the Incentive Fee on Capital Gains, as required by U.S. GAAP, we accrue Incentive Fees on Capital Gains on unrealized gains. This accrual reflects the Incentive Fees on Capital Gains that would be payable to the Adviser if our entire investment portfolio was liquidated at its fair value as of the balance sheet date even though the Adviser is not entitled to an Incentive Fee on Capital Gains with respect to unrealized gains unless and until such gains are actually realized.

**Example 1: Incentive Fee on Income for Each Quarter**

*Scenario 1*

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 1.25%

Hurdle rate(1) = 1.75%

Management fee(2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) = 0.2%

Pre-Incentive Fee Net Investment Income

(investment income – (management fee + other expenses)) = 0.6125%

Pre-Incentive Fee Net Investment Income does not exceed hurdle rate; therefore, there is no Incentive Fee on Income.

**Scenario 2**

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 2.65%

Hurdle rate(1) = 1.75%

Management fee(2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) = 0.2%

Pre-Incentive Fee Net Investment Income

(investment income – (management fee + other expenses)) = 2.0125%

Incentive Fee on Income = 100% × Pre-Incentive Fee Net Investment Income (subject to hurdle rate and “catch up”)(3)

= 100% × (2.0125% – 1.75%)

= 0.2625%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, but does not fully satisfy the “catch-up” provision; therefore, the Incentive Fee on Income is 0.2625%.

**Scenario 3**

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 3.25%

Hurdle rate(1) = 1.75%

Management fee(2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) = 0.2%

Pre-Incentive Fee Net Investment Income

(investment income – (management fee + other expenses)) = 2.6125%

Incentive Fee on Income = 100% × Pre-Incentive Fee Net Investment Income (subject to hurdle rate and “catch-up”)(3)

Incentive Fee on Income = 100% × “catch-up” + (20% × (Pre-Incentive Fee Net Investment Income – 2.19%))

Catch-up = 2.19% – 1.75%

= 0.44%

Incentive Fee on Income = (100% × 0.44%) + (20% × (2.6125% – 2.19%))

= 0.44% + (20% × 0.4225%)

= 0.44% + 0.0845%

= 0.5245%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, and fully satisfies the “catch-up” provision; therefore, the Incentive Fee on Income is 0.5245%.

(1) Represents 7% annualized hurdle rate.

(2) Represents 1.75% annualized base management fee.

(3) The “catch-up” provision is intended to provide our Adviser with an Incentive Fee on Income of 20% on all Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when our Pre-Incentive Fee Net Investment Income exceeds 2.19% in any quarter.

**Example 2: Incentive Fee on Capital Gains(\*):**

**Scenario 1**

*Assumptions*

Year 1: \$20 million investment made in Company A ("Investment A") and \$30 million investment made in Company B ("Investment B")

Year 2: Investment A sold for \$50 million and fair market value ("FMV") of Investment B determined to be \$32 million

Year 3: FMV of Investment B determined to be \$25 million

Year 4: Investment B sold for \$31 million

The Incentive Fee on Capital Gains would be:

Year 1: None

Year 2: Incentive Fee on Capital Gains of \$6 million — (\$30 million realized capital gains on sale of Investment A multiplied by 20%)

Year 3: None — \$5 million (20% multiplied by (\$30 million cumulative capital gains less \$5 million cumulative capital depreciation)) less \$6 million (Incentive Fee on Capital Gains paid in Year 2)

Year 4: Incentive Fee on Capital Gains of \$200,000 — \$6.2 million (\$31 million cumulative realized capital gains multiplied by 20%) less \$6 million (Incentive Fee on Capital Gains paid in Year 2)

**Scenario 2**

*Assumptions*

Year 1: \$20 million investment made in Company A ("Investment A"), \$30 million investment made in Company B ("Investment B") and \$25 million investment made in Company C ("Investment C")

Year 2: Investment A sold for \$50 million, FMV of Investment B determined to be \$25 million and FMV of Investment C determined to be \$25 million

Year 3: FMV of Investment B determined to be \$27 million and Investment C sold for \$30 million

Year 4: FMV of Investment B determined to be \$24 million

Year 5: Investment B sold for \$20 million

The Incentive Fee on Capital Gains, if any, would be:

Year 1: None

Year 2: \$5 million Incentive Fee on Capital Gains — 20% multiplied by \$25 million (\$30 million realized capital gains on Investment A less \$5 million unrealized capital depreciation on Investment B)

Year 3: \$1.4 million Incentive Fee on Capital Gains(1) — \$6.4 million (20% multiplied by \$32 million (\$35 million cumulative realized capital gains less \$3 million unrealized capital depreciation on Investment B)) less \$5 million (Incentive Fee on Capital Gains paid in Year 2)

Year 4: None

Year 5: None — \$5 million (20% multiplied by \$25 million (cumulative realized capital gains of \$35 million less realized capital losses of \$10 million)) less \$6.4 million (cumulative Incentive Fees on Capital Gains paid in Year 2 and Year 3)(2)

\* The hypothetical amounts of returns shown are based on a percentage of our total net assets and assume no leverage. There is no guarantee that positive returns will be realized and actual returns may vary from those shown in this example.

(1) As illustrated in Year 3 of Scenario 2 above, if we were to be wound up on a date other than our fiscal year end of any year, we may have paid aggregate Incentive Fees on Capital Gains that are more than the amount of such fees that would be payable if we had been wound up on our fiscal year end of such year.

(2) As noted above, it is possible that the cumulative aggregate Incentive Fees on Capital Gains received by our Adviser (\$6.4 million) is effectively greater than \$5 million (20% of cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation (\$25 million)).

**Payment of Our Expenses**

Our primary operating expenses are a base management fee and any incentive fees under the Investment Advisory Agreement. Our investment management fee compensates our Adviser for its work in identifying, evaluating, negotiating, executing, monitoring, servicing and realizing our investments.

Except as specifically provided below, all investment professionals and staff of the Adviser, when and to the extent engaged in providing investment advisory and management services to us, the base compensation, bonus and benefits, and the routine overhead expenses of such personnel allocable to such services, are provided and paid for by the Adviser. We may bear our allocable portion of the compensation paid by the Adviser (or its affiliates) to our CFO and CCO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). We may bear any other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- the cost of our organization and offerings;
- the cost of calculating our NAV, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees and expenses payable under any underwriting agreements, if any;
- debt service and other costs of borrowings or other financing arrangements;
- costs of hedging;
- expenses, including travel expenses, incurred by the Adviser, or members of the investment team, or payable to third-parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing our rights;
- management and incentive fees payable pursuant to the Investment Advisory Agreement;
- fees payable to third-parties relating to, or associated with, making investments and valuing investments (including third-party valuation firms);
- costs, including legal fees, associated with compliance under cannabis laws;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts (including attendance at industry and investor conferences and similar events);
- federal and state registration fees;
- any exchange listing fees and fees payable to rating agencies;
- federal, state and local taxes;
- independent directors' fees and expenses, including travel expenses;
- cost of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, and the compensation of professionals responsible for the preparation of the foregoing;
- the cost of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- brokerage commissions and other compensation payable to brokers or dealers;
- research and market data;
- fidelity bond, directors' and officers' errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing and staff;

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- fees and expenses associated with independent audits, and outside legal and consulting costs;
- costs of winding up;
- costs incurred in connection with the formation or maintenance of entities or vehicles to hold our assets for tax or other purposes;
- extraordinary expenses (such as litigation or indemnification); and
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

**Duration and Termination**

The Investment Advisory Agreement, which took effect upon the closing of the Joint Venture, was approved by our Board of Directors on January 16, 2024. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect for two years from its initial approval, and from year-to-year thereafter, if approved annually by the Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons.

The Investment Advisory Agreement will automatically terminate in the event of its assignment. In accordance with the 1940 Act, without payment of any penalty, we may terminate the Investment Advisory Agreement with the Adviser upon 60 days' written notice. The decision to terminate the Investment Advisory Agreement may be made by a majority of the Board of Directors or the stockholders holding a majority (as defined under the 1940 Act) of the outstanding shares of our common stock. In addition, without payment of any penalty, the Adviser may generally terminate the Investment Advisory Agreement upon 60 days' written notice.

**Indemnification**

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, our Adviser and its officers, managers, partners, members (and their members, including the owners of their members), agents, employees, controlling persons and any other person or entity affiliated with it, are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Adviser's services under the Investment Advisory Agreement or otherwise as our investment adviser.

**Organization of Our Investment Adviser**

Our Adviser is a Delaware limited liability company that registered as an investment adviser under the Advisers Act. The principal address of our Adviser is 600 Madison Avenue, Suite 1800, New York, NY 10022.

**Board of Directors' Approval of the Investment Advisory Agreement**

On January 16, 2024, our Board of Directors, including a majority of the directors who were not "interested persons," as defined in Section 2(a)(19) of the 1940 Act, of the Company, approved the Investment Advisory Agreement for an initial term of two years in connection with the Joint Venture. In its consideration of the approval of the Investment Advisory Agreement, our Board of Directors focused on information it had received relating to, among other things:

- the nature, quality and extent of the advisory and other services to be provided to the Company by the Adviser;
- comparative data with respect to advisory fees or similar expenses paid by other BDCs with similar investment objectives;
- the Company's projected operating expenses and expense ratio compared to BDCs with similar investment objectives;
- any existing and potential sources of indirect income to the Adviser from its relationships with the Company and the profitability of those relationships;
- information about the services to be performed and the personnel performing such services under the Investment Advisory Agreement; and
- the organizational capability and financial condition of the Adviser and its affiliates.

Based on the information reviewed and related discussions, our Board of Directors concluded that the fees payable to the Adviser pursuant to the Investment Advisory Agreement were reasonable in relation to the services to be provided. Our Board of Directors did not assign relative weights to the above factors or the other factors considered by it. In addition, our Board of Directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of our Board of Directors may have given different weights to different factors.

**Expense Limitation Agreement**

On October 1, 2024, in connection with the Joint Venture, the Company and the Adviser entered into an expense limitation agreement (the "Expense Limitation Agreement") pursuant to which the Adviser has agreed to cap the Company's operating expenses (excluding base management fees, incentive fees, expenses related to the Loan Portfolio Acquisition, and litigation and indemnification expenses) at an annualized rate of 2.15% of the Company's net assets through September 30, 2025.

On February 14, 2025, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that any interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

**Administration Agreement**

We have entered into an Administration Agreement with the Adviser, under which the Adviser provides administrative services for us, including office facilities and equipment and clerical, bookkeeping and record-keeping services at such facilities. Under the Administration Agreement, the Adviser also performs, or oversees the performance of, our required administrative services, which includes being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, the Adviser assists us in determining and publishing our NAV, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others. In addition, pursuant to the terms of the Administration Agreement, the Adviser may delegate its obligations under the Administration Agreement to an affiliate or to a third-party and we will reimburse the Adviser for any services performed for it by such affiliate or third-party.

We reimburse our administrator, the Adviser, for the costs and expenses incurred by the Adviser in performing its obligations and providing personnel and facilities under the Administration Agreement (including costs and expenses incurred by the Adviser in connection with the delegation of its obligations under the Administration Agreement to a sub-administrator). We are generally not responsible for the compensation of the Adviser's employees or any overhead expenses of the Adviser (including rent, office equipment and utilities). However, we may reimburse the Adviser for an allocable portion of the compensation paid by the Adviser to our CCO and CFO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). The Administration Agreement also provides that we shall reimburse the Adviser for certain organization costs incurred prior to the commencement of our operations, and for certain offering costs. Such reimbursement is at cost, with no profit to, or markup by, the Adviser. Our allocable portion of the Adviser's costs will be determined based upon costs attributable to our operations versus costs attributable to the operations of other entities for which the Adviser provides administrative services. The Adviser may also provide on our behalf managerial assistance to our portfolio companies.

The Administration Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, the Adviser and its officers, managers, partners, members (and their members, including the owners of their members), agents, employees, controlling persons and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of services under the Administration Agreement or otherwise as our administrator.

Unless earlier terminated as described below, the Administration Agreement will remain in effect for two years from its initial approval, and from year-to-year thereafter, if approved annually by the Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. On May 8, 2024, our Board of Directors, including a majority of the directors who were not interested persons, approved the Administration Agreement for an additional one-year period. The Administration Agreement may be terminated at any time, without the payment of any penalty, on 60 days' written notice, by the vote of a majority of our outstanding voting securities, or by the vote of the Board of Directors, or by the Adviser.

In accordance with the Administration Agreement, and with the approval of the Board of Directors, the Company and the Adviser have entered into a services agreement with SS&C as sub-administrator (the "Services Agreement"). Under the Services Agreement, SS&C has assumed responsibility for performing certain administrative services for us.

**License Agreement**

We have also entered into a license agreement with the Adviser pursuant to which the Adviser has agreed to grant us a nonexclusive, royalty-free license to use the name "Chicago Atlantic." Under this agreement, we will have a right to use the "Chicago Atlantic" name, for so long as the Adviser or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the "Chicago Atlantic" name.

**Material Conflicts of Interest**

Our executive officers and directors, and certain members of the Adviser, serve or may serve as officers, directors or principals of entities that may operate in the same or a related line of business as us or as investment funds managed by our affiliates. For example, the Adviser and its affiliates manage private investment funds, and may also manage other funds in the future that have investment mandates that are similar, in whole or in part, to our investment mandate. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, the principals of the Adviser may face conflicts of interest in the allocation of investment opportunities to us and such other funds. This conflict of interest could be amplified if our investment advisory fees are lower than those of such other funds.

In order to address potential conflicts of interest, Chicago Atlantic has adopted an investment allocation policy that governs the allocation of investment opportunities among the investment funds and other accounts managed by Chicago Atlantic. To the extent an investment opportunity is appropriate for either or both of us and/or any other investment fund or other account managed by Chicago Atlantic, and co-investment is not possible, Chicago Atlantic will adhere to its investment allocation policy in order to determine to which account to allocate the opportunity.

Although Chicago Atlantic will endeavor to allocate investment opportunities in a fair and equitable manner, we and our stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed by Chicago Atlantic.

The investment allocation policy is also designed to manage and mitigate the conflicts of interest associated with the allocation of investment opportunities if we are able to co-invest, either pursuant to SEC interpretive positions or our exemptive order, with other accounts managed by Chicago Atlantic. Generally, under the investment allocation policy, co-investments will be allocated pursuant to the conditions of the exemptive order. Under the investment allocation policy, a portion of each opportunity that is appropriate for us and any affiliated fund or other account, which may vary based on asset class and liquidity, among other factors, will generally be offered to us and such other eligible accounts, as determined by Chicago Atlantic. If there is a sufficient amount of securities to satisfy all participants, each order will be fulfilled as placed. If there is an insufficient amount of securities to satisfy all participants, the securities will generally be allocated pro rata based on each participant's order size or available capital.

In accordance with the investment allocation policy, we might not participate in each individual opportunity, but will, on an overall basis, be entitled to participate equitably with other accounts managed by Chicago Atlantic. Chicago Atlantic seeks to treat all clients fairly and equitably in a manner consistent with its fiduciary duty to each of them; however, in some instances, especially in instances of limited liquidity, the factors may not result in pro rata allocations or may result in situations where certain accounts receive allocations where others do not.

We have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

**Exemptive Relief**

We, the Adviser and certain of our affiliates have been granted an order for exemptive relief (the "Order") by the SEC to co-invest with other funds managed by the Adviser or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. Pursuant to the Order, we generally are permitted to co-invest with certain of our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our directors who are not "interested persons," as defined in Section 2(a)(19) of the 1940 Act (the "Independent Directors") make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to us and our shareholders and do not involve overreaching by us or our shareholders on the part of any person concerned, (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies, (3) the investment by our affiliates would not disadvantage us, and our participation would not be on a basis different from or less advantageous than that on which our affiliates are investing and (4) the proposed investment by us would not benefit the Adviser or its affiliates or any affiliated person of any of them (other than the parties to the transaction), except to the extent permitted by the Order and applicable law, including the limitations set forth in Section 57(k) of the 1940 Act.

**Dividend Reinvestment Plan**

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash distribution, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions. Any fractional share otherwise issuable to a participant in the dividend reinvestment plan will instead be paid in cash.

CHICAGO ATLANTIC BDC, INC.

No action will be required on the part of a registered stockholder to have their cash distributions reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying ALPS Fund Services, Inc., the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than three days prior to the distribution payment date for distributions to stockholders (the "Payment Date"). Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election. If the stockholder request is received less than three days prior to the Payment Date, then that distribution will be reinvested. However, all subsequent distributions to the stockholder will be paid out in cash.

With respect to each distribution, the Board of Directors reserves the right to either issue new shares or purchase shares in the open market in connection with the implementation of the dividend reinvestment plan. If newly issued shares are used to implement the plan and the most recently computed NAV per share exceeds the market price per share on the Payment Date, the number of shares to be issued to a stockholder will be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the Nasdaq Stock Market on the Payment Date, or if no sale is reported for such day, the average of the reported bid and ask prices. If newly issued shares are used to implement the plan and the market price per share on the Payment Date exceeds the most recently computed NAV per share, the number of shares to be issued to a stockholder will be determined by dividing the total dollar amount of the distribution payable to such stockholder by the greater of (i) the most recently computed NAV per share and (ii) 95% of the market price per share (or such lesser discount to the market price per share that still exceeds the most recently computed NAV per share) at the close of regular trading on the Nasdaq Stock Market on the Payment Date, or, if no sale is reported for such day, the average of the reported bid and ask prices. For example, if the most recently computed NAV per share is \$15.00 and the market price per share on the Payment Date is \$14.00, we will issue shares at \$14.00 per share. If the most recently computed NAV per share is \$15.00 and the market price per share on the Payment Date is \$16.00, we will issue shares at \$15.20 per share (95% of the market price per share on the Payment Date). If the most recently computed NAV per share is \$15.00 and the market price per share on the Payment Date is \$15.50, we will issue shares at \$15.00 per share, as the most recently computed NAV per share is greater than 95% of the market price per share on the Payment Date (\$14.73 per share). If shares are purchased in the open market to implement the plan, the number of shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the weighted average price per share, excluding any brokerage charges or other charges, of all shares purchased by the plan administrator in the open market in connection with the distribution.

Stockholders who receive distributions in the form of our stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash; however, since their cash distributions will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested distributions. A stockholder's basis for determining gain or loss upon the sale of our stock received in a distribution from us will be equal to the fair market value of the stock so distributed to the stockholder at the time of the distribution. Any stock received in a distribution will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the stockholder's account.

There are no brokerage charges or other charges for dividend reinvestment to stockholders who participate in the plan. We pay the plan administrator's fees under the plan.

Participants may terminate their accounts under the plan by notifying our administrator by mail at 600 Madison Avenue, Suite 1800, New York, NY 10022, or by calling our administrator at (212) 905-4923.

We may terminate the plan upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any distribution by us. All correspondence concerning the plan should be directed to our administrator by mail at 600 Madison Avenue, Suite 1800, New York, NY 10022, or by telephone at (212) 905-4923.

**Emerging Growth Company**

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") and is eligible to take advantage of certain specified reduced disclosure and other requirements that are otherwise generally applicable to 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 of 2002. We expect to remain an emerging growth company for up to five years following the completion of our IPO or until the earliest of:

- the last day of the first fiscal year in which our annual gross revenues exceed \$1.235 billion;
- the last day of the fiscal year that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act which would occur if the market value of the shares of our common stock that is held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months; or
- the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the preceding three-year period.

In addition, we will take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards.

#### **Business Development Company Regulations**

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act.

In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities. The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) 50% of our voting securities.

#### **Qualifying Assets**

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
  - (a) is organized under the laws of, and has its principal place of business in, the United States;
  - (b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - (c) satisfies any of the following:
    - (i) does not have any class of securities that is traded on a national securities exchange;
    - (ii) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million;
    - (iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
    - (iv) is a small and solvent company having total assets of not more than \$4 million and capital and surplus of not less than \$2 million.
- (2) Securities of any eligible portfolio company that we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

Control, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company, but may exist in other circumstances based on the facts and circumstances.

The regulations defining qualifying assets may change over time. The Company may adjust its investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions.

**Managerial Assistance to Portfolio Companies**

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

**Temporary Investments**

Pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement (which is substantially similar to a secured loan) involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

**Senior Securities**

We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. Under a 150% asset coverage ratio a BDC may borrow \$2 for investment purposes of every \$1 of investor equity.

In addition, while any senior securities remain outstanding, we may be prohibited from making distributions to our stockholders or repurchasing such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Item 1A. Risk Factors — Risks Relating to Our Business and Structure — Regulations governing our operation as a BDC and RIC may affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth” and “Risk Factors — Risks Relating to Our Use of Leverage and Credit Facilities — If we borrow money, the potential for loss on amounts invested in us will be magnified and may increase the risk of investing in us.”

**Exclusion from CFTC Regulation**

CFTC Rule 4.5 permits investment advisers to BDCs to claim an exclusion from the definition of “commodity pool operator” under the Commodity Exchange Act (the “CEA”) with respect to a fund, provided certain requirements are met. In order to permit our Adviser to claim this exclusion with respect to us, we must limit our transactions in certain futures, options on futures and swaps deemed “commodity interests” under CFTC rules (excluding transactions entered into for “bona fide hedging purposes,” as defined under CFTC regulations) such that either: (i) the aggregate initial margin and premiums required to establish such futures, options on futures and swaps do not exceed 5% of the liquidation value of our portfolio, after taking into account unrealized profits and losses on such positions; or (ii) the aggregate net notional value of such futures, options on futures and swaps does not exceed 100% of the liquidation value of our portfolio, after taking into account unrealized profits and losses on such positions. In addition to meeting one of the foregoing trading limitations, we may not market ourself as a commodity pool or otherwise as a vehicle for trading in the futures, options or swaps markets. Accordingly, we are not subject to regulation under the CEA or otherwise regulated by the CFTC. If the Adviser was unable to claim the exclusion with respect to us, the Adviser would become subject to registration and regulation as a commodity pool operator, which would subject the Adviser and us to additional registration and regulatory requirements and increased operating expenses.

**Common Stock**

*We are not generally able to issue and sell our common stock at a price below NAV per share. We will, however, be able to sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current NAV of the common stock if our Board of Directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our Board of Directors, closely approximates the market value of such securities (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the NAV per share, subject to applicable requirements of the 1940 Act. See “Item 1A. Risk Factors — Risks Relating to Our Business and Structure — Regulations governing our operation as a BDC and RIC may affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.”*

**Code of Ethics**

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and we have also approved the Adviser's code of ethics that was adopted by it under Rule 17j-1 under the 1940 Act and Rule 204A-1 of the Advisers Act. These codes establish procedures for personal investments and restrict certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. The codes of ethics are available on the EDGAR Database on the SEC's Internet site at [www.sec.gov](http://www.sec.gov) and are available at our corporate governance webpage at [lien.chicagoatlantic.com](http://lien.chicagoatlantic.com).

**Compliance Policies and Procedures**

We and our Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our CCO is responsible for administering these policies and procedures.

**Proxy Voting Policies and Procedures**

We have delegated our proxy voting responsibility to our Adviser. The proxy voting policies and procedures of our Adviser are set forth below. The guidelines are reviewed periodically by our Adviser and our non-interested directors, and, accordingly, are subject to change.

**Introduction**

As an investment adviser registered under the Advisers Act, our Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, our Adviser recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for the investment advisory clients of our Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

**Proxy policies**

Our Adviser will vote proxies relating to our portfolio securities in the best interest of our stockholders. Our Adviser will review on a case-by-case basis each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by us. Although our Adviser will generally vote against proposals that may have a negative impact on our portfolio securities, it may vote for such a proposal if there exists compelling long-term reasons to do so.

The proxy voting decisions of our Adviser will be made by the officers who are responsible for monitoring each of our investments. To ensure that its vote is not the product of a conflict of interest, our Adviser will require that: (a) anyone involved in the decision-making process disclose to our Adviser's CCO any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision-making process or vote administration are prohibited from revealing how our Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

**Proxy voting records**

You may obtain information, without charge, regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, Chicago Atlantic BDC, Inc., 600 Madison Avenue, Suite 1800, New York, NY 10022.

**Other**

We are subject to periodic examination by the SEC for compliance with the 1940 Act.

None of our investment policies are fundamental, and thus may be changed without stockholder approval.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

### Securities Exchange Act and Sarbanes-Oxley Act Compliance

We are subject to the reporting and disclosure requirements of the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act, which imposes a wide variety of regulatory requirements on publicly held companies and their insiders. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our chief executive officer and chief financial officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures; and
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting. When we are no longer an emerging growth company under the JOBS Act, our independent registered public accounting firm will be required to audit our internal control over financial reporting.

**The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We intend to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith. The Nasdaq Stock Market Corporate Governance Regulations**

The Nasdaq Stock Market has adopted corporate governance regulations that listed companies must comply with. We are in compliance with such corporate governance regulations applicable to BDCs.

### Material U.S. Federal Income Tax Considerations

The following is a description of the material U.S. federal income tax consequences of owning and disposing of shares of our common stock. The discussion below provides general tax information relating to an investment in our shares, but it does not purport to be a comprehensive description of all the U.S. federal income tax considerations that may be relevant to a particular person's decision to invest in our shares. This discussion does not describe all of the tax consequences that may be relevant in light of the particular circumstances of a beneficial owner of shares, including alternative minimum tax consequences, Medicare contribution tax consequences and tax consequences applicable to beneficial owners subject to special rules, such as:

- certain financial institutions;
- regulated investment companies;
- real estate investment trusts;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding shares of our common stock as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares;
- U.S. Holders (as defined below) whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships or otherwise treated as pass-through entities for U.S. federal income tax purposes;
- certain former U.S. citizens and residents and expatriated entities;
- tax-exempt entities, including an "individual retirement account" or "Roth IRA"; or
- insurance companies.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of our shares in light of their specific circumstances.

The following discussion applies only to an owner of shares that (i) is treated as the beneficial owner of such shares for U.S. federal income tax purposes and (ii) holds such shares as capital assets.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

You are urged to consult your tax adviser with regard to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences arising under U.S. federal tax laws other than U.S. federal income tax laws and the laws of any state, local or non-U.S. taxing jurisdiction.

**Taxation as a Regulated Investment Company**

We intend to qualify as a regulated investment company under Subchapter M of the Code (a "RIC") in the current and future taxable years. Assuming that we so qualify and that we satisfy the distribution requirements described below, we generally will not be subject to U.S. federal income tax on income distributed in a timely manner to shareholders.

To qualify as a RIC for any taxable year, we must, among other things, satisfy both an income test and an asset diversification test for such taxable year. Specifically, (i) at least 90% of our gross income for such taxable year must consist of dividends; interest; payments with respect to certain securities loans; gains from the sale or other disposition of stock, securities or foreign currencies; other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities or currencies; and net income derived from interests in "qualified publicly traded partnerships" (such income, "Qualifying RIC Income") and (ii) our holdings must be diversified so that, at the end of each quarter of such taxable year, (a) at least 50% of the value of our total assets is represented by cash and cash items, securities of other RICs, U.S. government securities and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not greater than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the value of our total assets is invested (x) in the securities (other than U.S. government securities or securities of other RICs) of any one issuer or of two or more issuers that we control and that are engaged in the same, similar or related trades or businesses or (y) in the securities of one or more "qualified publicly traded partnerships." A "qualified publicly traded partnership" is generally defined as an entity that is treated as a partnership for U.S. federal income tax purposes if (i) interests in such entity are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof and (ii) less than 90% of such entity's gross income for the relevant taxable year consists of Qualifying RIC Income. Our share of income derived from a partnership other than a "qualified publicly traded partnership" will be treated as Qualifying RIC Income only to the extent that such income would have constituted Qualifying RIC Income if derived directly by us.

In order to be exempt from U.S. federal income tax on our distributed income, we must distribute to our shareholders on a timely basis at least 90% of the sum of (i) our "investment company taxable income" (determined prior to the deduction for dividends paid) and (ii) our net tax-exempt interest income for each taxable year. In general, a RIC's "investment company taxable income" for any taxable year is its taxable income, determined without regard to net capital gain (that is, the excess of net long-term capital gains over net short-term capital losses) and with certain other adjustments. Any taxable income, including any net capital gain, that we do not distribute to our shareholders in a timely manner will be subject to U.S. federal income tax at regular corporate rates.

A RIC will be subject to a nondeductible 4% excise tax on certain amounts that we fail to distribute during each calendar year. In order to avoid this excise tax, a RIC must distribute during each calendar year an amount at least equal to the sum of (i) 98% of its ordinary taxable income for the calendar year, (ii) 98.2% of its capital gain net income for the one-year period ended on October 31 of the calendar year and (iii) any ordinary income and capital gains for previous years that were not distributed during those years. For purposes of determining whether we have met this distribution requirement, (i) certain ordinary gains and losses that would otherwise be taken into account for the portion of the calendar year after October 31 will be treated as arising on January 1 of the following calendar year and (ii) we will be deemed to have distributed any income or gains on which we have paid U.S. federal income tax. Amounts distributed and reinvested pursuant to our dividend reinvestment plan will be treated as distributed for all U.S. tax purposes, including for purposes of the distribution requirement described above and the excise tax.

If we fail to qualify as a RIC or fail to satisfy the 90% distribution requirement in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates on our taxable income, including our net capital gain, even if such income is distributed to our shareholders, and all distributions out of earnings and profits would be taxable to U.S. Holders as dividend income. Such distributions generally would be eligible for the dividends-received deduction in the case of corporate U.S. Holders (defined below) and would constitute "qualified dividend income" for individual U.S. Holders. See "— Tax Consequences to U.S. Holders — Distributions." In addition, we could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a RIC. If we fail to satisfy the income test or diversification test described above, however, we may be able to avoid losing our status as a RIC by timely curing such failure, paying a tax and/or providing notice of such failure to the U.S. Internal Revenue Service (the "IRS").

In order to meet the distribution requirements necessary to be exempt from U.S. federal income and excise tax, we may be required to make distributions in excess of the income we actually receive in respect of our investments. In particular, we may be required to make distributions in respect of taxable income we recognize as a result of investing in original issue discount ("OID") and payment in kind ("PIK") instruments, without having actually received any amounts in respect of such taxable income.

**Tax Consequences to U.S. Holders**

The discussion in this section applies to you only if you are a U.S. Holder. A "U.S. Holder" is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

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*Distributions.* Distributions of our ordinary income and net short-term capital gains will, except as described below with respect to distributions of “qualified dividend income,” generally be taxable to you as ordinary income to the extent such distributions are paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Distributions (or deemed distributions, as described below), if any, of net capital gains will be taxable as long-term capital gains, regardless of the length of time you have owned our shares. A distribution of an amount in excess of our current and accumulated earnings and profits will be treated as a return of capital that will be applied against and reduce your basis in our shares. If the amount of any such distribution exceeds your basis in our shares, the excess will be treated as gain from a sale or exchange of our shares.

The ultimate tax characterization of the distributions that we make during any taxable year cannot be determined until after the end of the taxable year. As a result, it is possible that we will make total distributions during a taxable year in an amount that exceeds our current and accumulated earnings and profits.

Distributions of our “qualified dividend income” to an individual or other non-corporate U.S. Holder will be treated as “qualified dividend income” and will therefore be taxed at rates applicable to long-term capital gains, provided that the U.S. Holder meets certain holding period and other requirements with respect to our shares and that we meet certain holding period and other requirements with respect to the underlying shares of stock. “Qualified dividend income” generally includes dividends from domestic corporations and dividends from foreign corporations that meet certain specified criteria.

Dividends distributed to a corporate U.S. Holder will qualify for the dividends-received deduction only to the extent that the dividends consist of distributions of dividends eligible for the dividends-received deduction received by us, we meet certain holding period requirements with respect to the underlying shares of stock and the U.S. Holder meets certain holding period and other requirements with respect to the underlying shares of stock. Dividends eligible for the dividends-received deduction generally are dividends from domestic corporations.

We intend to distribute our net capital gains at least annually. If, however, we retain any net capital gains for reinvestment, we may elect to treat those net capital gains as having been distributed to our shareholders. If we make this election, you will be required to report your share of our undistributed net capital gain as long-term capital gain and will be entitled to claim your share of the U.S. federal income taxes paid by us on that undistributed net capital gain as a credit against your own U.S. federal income tax liability, if any, and to claim a refund on a properly filed U.S. federal income tax return to the extent that the credit exceeds your tax liability. In addition, you will be entitled to increase your adjusted tax basis in our shares by the difference between your share of such undistributed net capital gain and the related credit and/or refund. There can be no assurance that we will make this election if we retain all or a portion of our net capital gain for a taxable year.

Because the tax treatment of a distribution depends upon our current and accumulated earnings and profits, a distribution received shortly after an acquisition of shares may be taxable, even though, as an economic matter, the distribution represents a return of your initial investment. Distributions will be treated in the manner described above regardless of whether paid in cash or invested in additional shares pursuant to our dividend reinvestment plan. Although dividends generally will be treated as distributed when paid, dividends declared in October, November or December, payable to shareholders of record on a specified date in one of those months, and paid during the following January, will be treated for U.S. federal income tax purposes as having been distributed by us and received by shareholders on December 31 of the year in which declared. Shareholders will be notified annually as to the U.S. federal tax status of distributions.

*Sales and Redemptions of Shares.* In general, upon the sale or other disposition of shares, you will recognize capital gain or loss in an amount equal to the difference, if any, between the amount realized on the sale or other disposition and your adjusted tax basis in the relevant shares. Such gain or loss generally will be long-term capital gain or loss if your holding period for the relevant shares was more than one year on the date of the sale or other disposition. Under current law, net capital gain (that is, the excess of net long-term capital gains over net short-term capital losses) recognized by non-corporate U.S. Holders is generally subject to U.S. federal income tax at lower rates than the rates applicable to ordinary income.

Losses recognized by you on the sale or other disposition of shares held for six months or less will be treated as long-term capital losses to the extent of any distribution of long-term capital gain received (or deemed received, as discussed above) with respect to such shares. In addition, no loss will be allowed on a sale or other disposition of shares if you acquire shares (including pursuant to our dividend reinvestment plan), or enter into a contract or option to acquire shares, within 30 days before or after such sale or other disposition. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Under U.S. Treasury regulations, if you recognize losses with respect to shares of \$2 million or more if you are an individual, or \$10 million or more if you are a corporation, you must file with the IRS a disclosure statement on IRS Form 8886. Direct shareholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, shareholders of a RIC are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether your treatment of the loss is proper. Certain states may have similar disclosure requirements.

*Backup Withholding and Information Reporting.* Payments on our shares (including of reinvested dividends) and proceeds from a sale or other disposition of shares will be subject to information reporting unless you are an exempt recipient. You will be subject to backup withholding on all such amounts unless (i) you are an exempt recipient or (ii) you provide your correct taxpayer identification number (generally, on IRS Form W-9) and certify that you are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld pursuant to the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the IRS on a timely basis.

**Tax Consequences to Non-U.S. Holders**

The discussion in this section applies to you only if you are a Non-U.S. Holder. A “Non-U.S. Holder” is a person that, for U.S. federal income tax purposes, is a beneficial owner of shares and is a nonresident alien individual, a foreign corporation, a foreign trust or a foreign estate. The discussion below does not apply to you if you are a nonresident alien individual and are present in the United States for 183 days or more during any taxable year; a nonresident alien individual who is a former citizen or resident of the United States; an expatriated entity; a controlled foreign corporation; a passive foreign investment company; a foreign government for purposes of Section 892 of the Code or a tax-exempt organization for U.S. federal income tax purposes. You should consult your tax adviser with respect to the particular tax consequences to you of an investment in shares of our common stock.

If the income that you derive from your investment in our shares is not “effectively connected” with a U.S. trade or business conducted by you (or, if an applicable tax treaty so provides, you do not maintain a permanent establishment in the United States to which such income is attributable), distributions of “investment company taxable income” to you (including amounts reinvested pursuant to our dividend reinvestment plan) will generally be subject to U.S. federal withholding tax at a rate of 30% (or lower rate under an applicable tax treaty). Provided that certain requirements are satisfied, this withholding tax will not be imposed on dividends paid by us to the extent that the underlying income out of which the dividends are paid consists of U.S.-source interest income or short-term capital gains that would not have been subject to U.S. withholding tax if received directly by the Non-U.S. Holder (“interest-related dividends” and “short-term capital gain dividends,” respectively).

If the income you derive from your investment in our shares is not “effectively connected” with a U.S. trade or business conducted by you (or, if an applicable tax treaty so provides, you do not maintain a permanent establishment in the United States to which such income is attributable) you will generally be exempt from U.S. federal income tax on capital gain dividends and any amounts we retain that are designated as undistributed capital gains. In addition, you will generally be exempt from U.S. federal income tax on any gains realized upon the sale or exchange of shares.

If the income you derive from your investment in our shares is “effectively connected” with a U.S. trade or business conducted by you (and, if required by an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by you), any distributions of “investment company taxable income,” any capital gain dividends, any amounts we retain that are designated as undistributed capital gains and any gains realized upon the sale or exchange of shares will be subject to U.S. federal income tax, on a net income basis, at the rates applicable to U.S. Holders. If you are a corporation, you may also be subject to the U.S. branch profits tax.

In order to qualify for the exemption from U.S. withholding on interest-related dividends, to qualify for an exemption from U.S. backup withholding (discussed below) and to qualify for a reduced rate of U.S. withholding tax on our distributions pursuant to an income tax treaty, you must generally deliver to the withholding agent a properly executed IRS form (generally, Form W-8BEN or Form W-8BEN-E, as applicable). In order to claim a refund of any Company-level taxes imposed on undistributed net capital gain, any withholding taxes or any backup withholding, you must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return, even if you would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. income tax return.

**Backup Withholding and Information Reporting.** Information returns will be filed with the IRS in connection with certain payments on the shares and may be filed in connection with payments of the proceeds from a sale or other disposition of shares. You may be subject to backup withholding on distributions or on the proceeds from a redemption or other disposition of shares if you do not certify your non-U.S. status under penalties of perjury or otherwise establish an exemption. Backup withholding is not an additional tax. Any amounts withheld pursuant to the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability, if any, and may entitle you to a refund, provided that the required information is furnished to the IRS on a timely basis.

**Foreign Account Tax Compliance Act (“FATCA”)**

Under Sections 1471 through 1474 of the Code FATCA, a withholding tax at the rate of 30% will generally be imposed on payments of dividends on shares to certain foreign entities (including financial intermediaries) unless the foreign entity provides the withholding agent with certifications and other information (which may include information relating to ownership by U.S. persons of interests in, or accounts with, the foreign entity). Treasury and the IRS have issued proposed regulations that (i) provide that “withholdable payments” for FATCA purposes will not include gross proceeds from the disposition of property that can produce U.S.-source dividends or interest, and (ii) state that taxpayers may rely on these provisions of the proposed regulations until final regulations are issued. If FATCA withholding is imposed, a beneficial owner of shares that is not a foreign financial institution generally may obtain a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). You should consult your tax adviser regarding the possible implications of FATCA on your investment in our shares.

**All stockholders should consult their own tax advisors with respect to the U.S. federal income and withholding tax consequences, and U.S. federal non-income, state, local and non-U.S. tax consequences, of an investment in our common stock. We will not pay any additional amounts in respect of any amounts withheld.**

**Item 1A. Risk Factors**

*Investing in our common stock involves a number of significant risks. In addition to the other information contained in this annual report on Form 10-K, you should consider carefully the following information before making an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our NAV and the trading price of our common stock could decline, and you may lose part or all of your investment. The risk factors described below are the principal risk factors associated with an investment in our common stock, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.*

**Summary Risk Factors**

*The following is a summary of the principal risks that you should carefully consider before investing in our common stock and is followed by a more detailed discussion of the material risks related to us and an investment in our common stock.*

- Economic recessions or downturns may have a material adverse effect on our business, financial condition and results of operations, and could impair the ability of our portfolio companies to repay debt or pay interest.
- Global economic, political and market conditions, including those caused by the current public health crisis, have (and in the future, could further) adversely affect our business, results of operations and financial condition and those of our portfolio companies.
- We have limited operating history and our Adviser is a recently registered investment adviser under the Advisers Act, with limited history of managing BDCs and limited history of making credit investments in the nascent cannabis industry.
- Our investment portfolio will be recorded at fair value as determined in good faith in accordance with procedures established by our Board of Directors and, as a result, there will be uncertainty as to the value of our portfolio investments.
- Our ability to achieve our investment objective depends on our Adviser's ability to support our investment process; if our Adviser were to lose key personnel or they were to resign, our ability to achieve our investment objective could be significantly harmed.
- Our business model depends to a significant extent upon strong referral relationships, and the inability of the personnel associated with our Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.
- A failure on our part to maintain qualification as a BDC would significantly reduce our operating flexibility.
- Regulations governing our operation as a BDC and RIC may affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.
- Changes in laws or regulations governing our operations, including laws and regulations governing cannabis, may adversely affect our business or cause us to alter our business strategy.
- Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.
- We may be unable to invest a significant portion of the net proceeds from our initial public offering, or any follow-on offering of shares of our common stock, on acceptable terms within an attractive time frame.
- Because we intend to distribute at least 90% of our taxable income each taxable year to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth.

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- We may not be able to pay you distributions, and if we are able to pay you distributions, our distributions may not grow over time and/or a portion of our distributions may be a return of capital. We have not established any limit on the extent to which we may use offering proceeds to fund distributions.
- We will be subject to corporate-level U.S. federal income tax if we are unable to obtain and maintain qualification as a RIC under Subchapter M of the Code or do not satisfy the annual distribution requirement.
- Our investments in portfolio companies may be risky, and we could lose all or part of our investments.
- We intend to invest primarily in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and return principal. They may also be illiquid and difficult to value.
- Some of the loans in which we may invest may be “covenant-lite” loans, which may have a greater risk of loss as compared to investments in or exposure to loans with a complete set of financial maintenance covenants.
- The lack of liquidity in our investments may adversely affect our business.
- Shares of closed-end investment companies, including BDCs, may trade at a discount to their net asset value (“NAV”).
- The market price of our common stock may fluctuate significantly.
- Cannabis, except for hemp, is currently illegal under U.S. federal law and in other jurisdictions, and strict enforcement of federal laws would likely result in our inability to execute our business plan.
- Loans to relatively new and/or small companies and companies operating in the cannabis industry generally involve significant risks.
- Our investment opportunities are limited by the current illegality of cannabis under U.S. federal law, and change in the laws, regulations and guidelines that impact the cannabis industry may cause adverse effects on our ability to make investments.
- Strict enforcement of U.S. federal laws regarding cannabis would likely result in our portfolio companies’ inability to execute a business plan in the cannabis industry, and could result in the loss of all or part of any of our loans.
- The nascent status of the medical and recreational cannabis industry involves unique circumstances and there can be no assurance that the industry will continue to exist or grow as currently anticipated.
- Any potential growth in the cannabis industry continues to be subject to new and changing state and local laws and regulations.
- Portfolio companies may have difficulty borrowing from or otherwise accessing the service of banks, which may make it difficult to sell products and services.
- We, portfolio companies or the cannabis industry more generally may receive unfavorable publicity or become subject to negative consumer or investor perception.
- Third-parties with whom we do business may perceive themselves as being exposed to reputational risk by virtue of their relationship with us and may ultimately elect not to do business with us.
- Portfolio companies may be subject to regulatory, legal or reputational risk associated with potential misuse of their products by their customers.
- There may be a lack of access to U.S. bankruptcy protections for portfolio companies.

- U.S. federal courts may refuse to recognize the enforceability of contracts pertaining to any business operations that are deemed illegal under U.S. federal law, including cannabis companies operating legally under state law.
- Cybersecurity risks and cyber incidents may adversely affect our business or the business of our portfolio companies by causing a disruption to our operations or the operations of our portfolio companies, a compromise or corruption of our confidential information or the confidential information of our portfolio companies and/or damage to our business relationships or the business relationships of our portfolio companies, all of which could negatively impact the business, financial condition and operating results of us or our portfolio companies.
- Sales of shares of our common stock after the completion of the Loan Portfolio Acquisition may cause the market price of our common stock to decline.
- We may be unable to realize the benefits anticipated by the Loan Portfolio Acquisition, including estimated cost savings, or it may take longer than anticipated to achieve such benefits.

**Risks Relating to Economic Conditions**

*Economic recessions or downturns may have a material adverse effect on our business, financial condition and results of operations, and could impair the ability of our portfolio companies to repay debt or pay interest.*

Economic recessions or downturns may result in a prolonged period of market illiquidity which could have a material adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results. In addition, uncertainty with regard to economic recovery from recessions or downturns could also have a negative impact on our business, financial condition and results of operations.

When recessionary conditions exist, the financial results of middle-market companies, like those in which we invest, typically experience deterioration, which could ultimately lead to difficulty in meeting debt service requirements and an increase in defaults. Additionally, there can be reduced demand for certain of our portfolio companies' products and services and/or other economic consequences, such as decreased margins or extended payment terms. Further, adverse economic conditions may decrease the value of collateral securing some of our loans and the value of our equity investments. Such conditions may require us to modify the payment terms of our investments, including changes in PIK interest provisions and/or cash interest rates. The performance of certain portfolio companies in the future may be negatively impacted by these economic or other conditions, which may result in our receipt of reduced interest income from our portfolio companies and/or realized and unrealized losses related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

*Global economic, political and market conditions, including downgrades of the U.S. credit rating, may adversely affect our business, results of operations and financial condition.*

The current global financial market situation, as well as various social and political tensions in the United States and around the world (including the current conflicts between Russia and Ukraine and in the Middle East), may contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets and may cause economic uncertainties or deterioration in the U.S. and worldwide. The impact of downgrades by rating agencies to the U.S. government's sovereign credit rating or its perceived creditworthiness as well as potential government shutdowns and uncertainty surrounding transfers of power could adversely affect the U.S. and global financial markets and economic conditions. Since 2010, several European Union countries have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other European Union countries. There is concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets. The United Kingdom's decision to leave the EU (the so-called "Brexit") led to volatility in global financial markets. On December 24, 2020, a trade agreement was concluded between the EU and the United Kingdom (the "TCA"), which applied provisionally after the end of the transition period ending on December 31, 2020 and which formally took effect on May 1, 2021 and now governs the relationship between the United Kingdom and the EU. There remains uncertainty as to the scope, nature and terms of the relationship between the United Kingdom and the EU and the effect and implications of the TCA, and the actual and potential consequences of Brexit. Additionally, trade wars and volatility in the U.S. repo market, the U.S. high-yield bond markets, the Chinese stock markets and global markets for commodities may affect other financial markets worldwide. In addition, while recent government stimulus measures worldwide have reduced volatility in the financial markets, volatility may return as such measures are phased out, and the long-term impacts of such stimulus on fiscal policy and inflation remain unknown. In addition, the current conflicts between Russia and Ukraine and in the Middle East, and resulting market volatility, could adversely affect our business, financial condition or results of operations. In response to the conflict between Russia and Ukraine, the U.S. and other countries have imposed sanctions or other restrictive actions against Russia. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the value of our common shares and/or debt securities to decline. We cannot predict the effects of these or similar events in the future on the U.S. and global economies and securities markets or on our investments. We monitor developments in economic, political and market conditions and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

***The ongoing armed conflicts as a result of the Russian invasion of Ukraine and the conflict in the Middle East may have a material adverse impact on us and our portfolio companies.***

The Russian invasion of Ukraine and the conflict in the Middle East have led, are currently leading, and for an unknown period of time may continue to lead to disruptions in local, regional, national, and global markets and economies affected thereby. Furthermore, the aforementioned conflicts and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the performance of our investments, our operations, and our ability to achieve our investment objectives.

In response to the Russian invasion of Ukraine, the United States, the United Kingdom, the European Union and many other nations announced a broad array of new or expanded economic sanctions, export controls and other measures against Russia, Russian entities and individuals. Because Russia is a major exporter of oil and natural gas, the invasion and related sanctions have reduced the supply, and increased the price, of energy, which is accelerating inflation and may exacerbate ongoing supply chain issues. There is also the risk of retaliatory actions by Russia against countries that have enacted sanctions, including cyberattacks against financial and governmental institutions, which could result in business disruptions and further economic turbulence.

Although we have no direct exposure to Russia, Ukraine or the Middle East, the broader consequences of the conflicts may have a material adverse impact on our portfolio, our business and operations and the value of an investment in us. The Russian invasion of Ukraine and the conflict in the Middle East are uncertain and evolving as of the filing date of this annual report on Form 10-K, and their full impact on our portfolio companies after the date hereof is unknown.

***Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations.***

From time-to-time, capital markets may experience periods of disruption and instability. During such periods of market disruption and instability, we and other companies in the financial services sector may have limited access, if available, to alternative markets for debt and equity capital. Equity capital may be difficult to raise because, subject to some limited exceptions which apply to us as a BDC, we will generally not be able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 150% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Given the extreme volatility and dislocation in the capital markets over the past several years, many BDCs have faced, and may in the future face, a challenging environment in which to raise or access capital. In addition, significant changes in the capital markets, including the extreme volatility and disruption over the past several years, has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving these investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our investment valuations.

Further, the illiquidity of our investments may make it difficult for us to sell such investments if required and to value such investments. Our use of leverage will amplify these risks, and we may be forced to liquidate our investments at inopportune times or prices to repay debt. Consequently, we may realize significantly less than the value at which we carry our investments.

An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations. In addition, a prolonged period of market illiquidity may cause us to reduce the volume of loans and debt securities we originate and/or fund and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

***We may be affected by force majeure events (e.g., acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, nationalization of industry and labor strikes).***

We may be affected by force majeure events (e.g., acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, nationalization of industry and labor strikes). Force majeure events could adversely affect the ability of the Company or a counterparty to perform its obligations. The liability and cost arising out of a failure to perform obligations as a result of a force majeure event could be considerable and could be borne by the Company. Certain force majeure events, such as war or an outbreak of an infectious disease, could have a broader negative impact on the global or local economy, thereby affecting the Company.

***General economic and market conditions, including those caused by inflation and a rising interest rate environment, could materially affect the success of our activities and investments.***

Any disruptions in the capital markets, as a result of inflation and a rising interest environment or otherwise, may increase the spread between the yields realized on risk-free and higher risk securities and can result in illiquidity in parts of the capital markets, significant write-offs in the financial sector and re-pricing of credit risk in the broadly syndicated market. These and any other unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us.

In addition, market conditions (including inflation, supply chain issues and decreased consumer demand) have adversely impacted, and could in the future further impact, the operations of certain of our portfolio companies. If the financial results of middle-market companies, like those in which we invest, experience deterioration, it could ultimately lead to difficulty in meeting debt service requirements and an increase in defaults, and further deterioration in market conditions will further depress the outlook for those companies. Further, adverse economic conditions may in the future decrease the value of collateral securing some of our loans and the value of our equity investments. Such conditions may in the future require us to modify the payment terms of our investments, including changes in PIK interest provisions and/or cash interest rates. The performance of certain of our portfolio companies in the future may be negatively impacted by these economic or other conditions, which can result in our receipt of reduced interest income from our portfolio companies and/or realized and unrealized losses related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

***Any public health emergency, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments and our portfolio companies.***

The extent of the impact of any public health emergency, such as the COVID-19 pandemic, on our and our portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the actions taken by governmental authorities to contain its financial and economic impact, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In addition, our and our portfolio companies' operations may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any of our or our portfolio companies' personnel. This could create widespread business continuity issues for us and our portfolio companies. These factors may also cause the valuation of our investments to differ materially from the values that we may ultimately realize. Our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information.

Any public health emergency, pandemic or any outbreak of other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments and our portfolio companies.

**Risks Relating to Our Business and Structure**

*We have limited operating history and our Adviser is a recently registered investment adviser under the Advisers Act, with limited history of managing BDCs and limited history of making credit investments in the nascent cannabis industry.*

We were formed in January 2021 and commenced operations in February 2022. As a result of limited operating history, we are subject to many of the business risks and uncertainties associated with recently formed businesses, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. Our team also has limited history working together in making credit investments.

Additionally, our Adviser is a recently registered investment adviser under the Advisers Act, with limited history of managing BDCs. The 1940 Act imposes numerous constraints on the operations of BDCs that do not apply to other types of investment vehicles. For example, under the 1940 Act, BDCs are generally required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private or thinly traded companies. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC, which could be material. The Adviser's limited experience in managing a portfolio of assets under such constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective.

*A general increase in interest rates will likely have the effect of increasing our net investment income, which would make it easier for our Adviser to receive Incentive Fees on Income.*

Any general increase in interest rates would likely have the effect of increasing the interest rate that we receive on many of our debt investments. Accordingly, a general increase in interest rates may make it easier for our Adviser to meet the quarterly hurdle rate for payment of Incentive Fees on Income under the Investment Advisory Agreement and may result in a substantial increase in the amount of the Incentive Fees on Income payable to our Adviser.

*Our investment portfolio will be recorded at fair value as determined in good faith in accordance with procedures established by our Board of Directors and, as a result, there will be uncertainty as to the value of our portfolio investments.*

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith in accordance with procedures established by our Board of Directors. Typically, there is not a public market for the securities of the privately held companies in which we invest. As a result, we value these securities quarterly at fair value as determined in good faith in accordance with procedures established by our Board of Directors. The fair value of such securities may change, potentially materially, between the date of the fair value determination and the release of the financial results for the corresponding period or the next date at which fair value is determined.

Certain factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. In addition, any investments that include OID or PIK interest may have unreliable valuations because their continuing accruals require ongoing judgments about the collectability of their deferred payments and the value of their underlying collateral. Due to these uncertainties, our fair value determinations may cause our NAV on a given date to materially understate or overstate the value that we may ultimately realize upon the sale of one or more of our investments. As a result, investors purchasing our common stock based on an overstated NAV would pay a higher price than the realizable value of our investments might warrant.

In addition, the participation of the investment professionals in the valuation process, and the indirect pecuniary interest of Scott Gordon, our Co-Chief Investment Officer, an interested member and Executive Chairman of our Board of Directors and a member of the Adviser's Investment Committee, John Mazarakis, an interested member of our Board of Directors and a member of the Adviser's Investment Committee, Andreas Bodmeier, a member of the Adviser's Investment Committee, Umesh Mahajan, our Co-Chief Investment Officer and Secretary and a member of the Adviser's Investment Committee, Peter Sack, our Chief Executive Officer and a member of the Adviser's Investment Committee, and Dino Colonna, our President, in the Adviser could result in a conflict of interest as the management fee payable to our Adviser is based on our gross assets and the Incentive Fees on Capital Gains payable to the Adviser is based, in part, on unrealized losses.

*The failure of major financial institutions, namely banks, or sustained financial market illiquidity, could adversely affect our and/or our portfolio companies' businesses and results of operations.*

The failure of certain financial institutions, namely banks, may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. The failure of a bank (or banks) with which we and/or our portfolio companies have a commercial relationship could adversely affect, among other things, our and/or our portfolio companies' ability to pursue key strategic initiatives, including by affecting our or our portfolio companies' ability to access deposits or borrow from financial institutions on favorable terms. In the event a portfolio company, or potential portfolio company, has a commercial relationship with a bank that has failed or is otherwise distressed, such portfolio company may experience delays or other issues in meeting certain obligations or consummating transactions. Additionally, if a portfolio company or its sponsor has a commercial relationship with a bank that has failed or is otherwise distressed, the portfolio company may experience issues receiving financial support from a sponsor to support its operations or consummate transactions, to the detriment of their business, financial condition and/or results of operations. In addition, such bank failure(s) could affect, in certain circumstances, the ability of both affiliated and unaffiliated co-lenders, including syndicate banks or other fund vehicles, to undertake and/or execute co-investment transactions with us, which in turn may result in fewer co-investment opportunities being made available to us or impact our ability to provide additional follow-on support to portfolio companies. Our and our portfolio companies' ability to spread banking relationships among multiple institutions may be limited by certain contractual arrangements, including liens placed on their respective assets as a result of a bank agreeing to provide financing.

***Our ability to achieve our investment objective will depend on our Adviser's ability to support our investment process; if our Adviser were to lose key personnel or they were to resign, our ability to achieve our investment objective could be significantly harmed.***

We depend on the investment expertise, skill and network of business contacts of the senior personnel of our Adviser. Our Adviser evaluates, negotiates, structures, executes, monitors and services our investments. Key personnel of our Adviser have departed in the past and current key personnel could depart at any time. Our Adviser's capabilities in structuring the investment process, providing competent, attentive and efficient services to us, and facilitating access to financing on acceptable terms depend on the employment of investment professionals in adequate number and of adequate sophistication to match the corresponding flow of transactions. The departure of key personnel or of a significant number of the investment professionals or partners of our Adviser could have a material adverse effect on our ability to achieve our investment objective. Our Adviser may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process and may not be able to find investment professionals in a timely manner or at all. In addition, without payment of any penalty, the Adviser may generally terminate the Investment Advisory Agreement upon 60 days' written notice. If we are unable to quickly find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, our operations are likely to experience a disruption and our ability to achieve our investment objective and pay distributions would likely be materially and adversely affected.

***Our business model depends to a significant extent upon strong referral relationships, and the inability of the personnel associated with our Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.***

We expect that personnel associated with our Adviser will maintain and develop their relationships with intermediaries, banks and other sources, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If these individuals fail to maintain their existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow or maintain our investment portfolio. In addition, individuals with whom the personnel associated with our Adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us. The failure of the personnel associated with our Adviser to maintain existing relationships, grow new relationships, or for those relationships to generate investment opportunities could have an adverse effect on our business, financial condition and results of operations.

***We may face increasing competition for investment opportunities, which could reduce returns and result in losses.***

We compete for investments with other BDCs, public and private funds (including hedge funds, mezzanine funds and CLOs) and private equity funds (to the extent they provide an alternative form of financing), as well as traditional financial services companies such as commercial and investment banks, commercial financing companies and other sources of financing. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

***Our ability to enter into transactions with our affiliates is restricted.***

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any securities (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such person, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, except in situations described below, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any portfolio company of a private fund managed by our Adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

We may also invest alongside funds managed by our Adviser and its affiliates in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our Adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price.

Vireo Growth, Inc., a company for which Mr. Mazarakis serves as CEO and Co-Executive Chairman, and in which certain Chicago Atlantic entities hold material equity interests, has signed agreements to acquire certain of our portfolio companies. Upon the closing of the acquisitions, we may be restricted in our ability to enter into transactions with such portfolio companies due to their relationships with Mr. Mazarakis and Chicago Atlantic.

***A failure on our part to maintain qualification as a BDC would significantly reduce our operating flexibility.***

If we fail to continuously qualify as a BDC, we might be subject to regulation as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility. In addition, failure to comply with the requirements imposed on Business Development Companies by the 1940 Act could cause the SEC to bring an enforcement action against us. For additional information on the qualification requirements of a BDC, see "Item 1. Business — Business Development Company Regulations."

***Regulations governing our operation as a BDC and RIC may affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.***

In order to qualify for the tax benefits available to RICs and to minimize corporate-level U.S. federal income taxes, we intend to distribute to our stockholders at least 90% of our taxable income each taxable year, except that we may retain certain net capital gains for investment, and treat such amounts as deemed distributions to our stockholders. If we elect to treat any amounts as deemed distributions, we would be subject to income taxes at the corporate rate on such deemed distributions on behalf of our stockholders.

As a BDC, we are required to invest at least 70% of our total assets primarily in securities of U.S. private or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment.

As a BDC, we may issue "senior securities," including borrowing money from banks or other financial institutions only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after such incurrence or issuance. These requirements limit the amount that we may borrow, may unfavorably limit our investment opportunities and may reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. If the value of our assets declines, we may be unable to satisfy the asset coverage test, which could prohibit us from paying distributions and could prevent us from being subject to tax as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

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Because we will continue to need capital to grow our investment portfolio, these limitations may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. As a result of these requirements we need to periodically access the capital markets to raise cash to fund new investments at a more frequent pace than our privately owned competitors. We generally are not able to issue or sell our common stock at a price below NAV per share, which may be a disadvantage as compared with other public companies or private investment funds. When our common stock trades at a discount to NAV, this restriction could adversely affect our ability to raise capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current NAV of the common stock if our Board of Directors and independent directors determine that such sale is in our best interests and the best interests of our stockholders, and our stockholders as well as those stockholders that are not affiliated with us approve such sale in accordance with the requirements of the 1940 Act. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our Board of Directors, closely approximates the market value of such securities (less any underwriting commission or discount). We cannot assure you that equity financing will be available to us on favorable terms, or at all. If additional funds are not available to us, we could be forced to curtail or cease new investment activities.

We also may make rights offerings to our stockholders at prices less than NAV, subject to applicable requirements of the 1940 Act. If we raise additional funds by issuing more shares of our common stock or issuing senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders may decline at that time and such stockholders may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on terms favorable to us or at all.

In addition, we may in the future seek to securitize our portfolio securities to generate cash for funding new investments. To securitize loans, we would likely create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. We would then sell interests in the subsidiary on a non-recourse basis to purchasers and we would retain all or a portion of the equity in the subsidiary. An inability to successfully securitize our loan portfolio could limit our ability to grow our business or fully execute our business strategy and may decrease our earnings, if any. The securitization market is subject to changing market conditions and we may not be able to access this market when we would otherwise deem appropriate. Moreover, the successful securitization of our portfolio might expose us to losses as the residual investments in which we do not sell interests will tend to be those that are riskier and more apt to generate losses. The 1940 Act also may impose restrictions on the structure of any securitization.

***The Incentive Fee on Capital Gains may be effectively greater than 20%.***

As a result of the operation of the cumulative method of calculating the Incentive Fee on Capital Gains that we pay to our Adviser, the cumulative aggregate capital gains fee received by our Adviser could be effectively greater than 20%, depending on the timing and extent of subsequent net realized capital losses or net unrealized depreciation. For additional information on this calculation, see the disclosure in footnote 2 to Example 2 under “Item 1. Business — Investment Advisory Agreement — Management Fee — Incentive Fee.” We cannot predict whether, or to what extent, this anticipated payment calculation would affect your investment in shares of our common stock.

***Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.***

Our Board of Directors has the authority to modify or waive our current investment objective, operating policies and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current investment objective, operating policies and strategies would have on our business, NAV, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you distributions and cause you to lose part or all of your investment.

***Changes in laws or regulations governing our operations, including laws and regulations governing cannabis, may adversely affect our business or cause us to alter our business strategy.***

We and our portfolio companies are subject to regulation at the local, state and federal level, including laws and regulations governing cannabis by state and federal governments. See “— Risks Related to the Cannabis and Hemp Industries” below. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we may be permitted to make or that impose limits on our ability to pledge a significant amount of our assets to secure loans or that restrict the operations of a portfolio company, any of which could harm us and our stockholders and the value of our investments, potentially with retroactive effect. For example, certain provisions of the Dodd-Frank Act, which influences many aspects of the financial services industry, have been amended or repealed and the Code has been substantially amended and reformed. Any amendment or repeal of legislation, or changes in regulations or regulatory interpretations thereof, could create uncertainty in the near term, which could have a material adverse impact on our business, financial condition and results of operations.

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

***Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.***

The Maryland General Corporation Law (“MGCL”), our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control or the removal of our directors. Under our charter, certain charter amendments and certain transactions such as a merger, conversion of the Company to an open-end company, liquidation, or other transactions that may result in a change of control of us, must be approved by stockholders entitled to cast at least 80% of the votes entitled to be cast on such matter, unless the matter has been approved by at least two-thirds of our “continuing directors,” as defined in our charter. Also, we are subject to Subtitle 6 of Title 3 of the MGCL, the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our Board of Directors has adopted a resolution exempting from the Maryland Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our Board of Directors, including approval by a majority of our directors who are not “interested persons,” as defined in the 1940 Act. If the resolution exempting business combinations is repealed or our Board of Directors does not approve a business combination, the Maryland Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such a transaction. We are subject to Subtitle 7 of Title 3 of the MGCL, the Maryland Control Share Acquisition Act. The Maryland Control Share Acquisition Act also may make it more difficult for a third-party to obtain control of us and increase the difficulty of consummating such a transaction. Our bylaws provide that the Maryland Control Share Acquisition Act does not apply to shares acquired by our Adviser and/or our Adviser’s affiliates.

We have also adopted other measures that may make it difficult for a third-party to obtain control of us, including provisions of our charter classifying our Board of Directors in three classes serving staggered three-year terms; majority voting for directors in contested elections; and provisions of our charter authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series, including preferred shares, to cause the issuance of additional shares of our stock of any class or series, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock of any class or series that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that could give the holders of our shares the opportunity to realize a premium over the value of our shares or otherwise be in their best interest.

***Our Board of Directors is authorized to reclassify any unissued shares of common stock into one or more classes or series of stock, including preferred stock, which could convey special rights and privileges to its owners.***

As noted above, under the MGCL and our charter, our Board of Directors is authorized to classify and reclassify any authorized but unissued shares of stock into one or more classes or series of stock, including preferred stock. The cost of any such reclassification would be borne by our existing stockholders. Prior to issuance of shares of each class or series, our Board of Directors will be required by the MGCL and our charter to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote as a separate class from the holders of common stock on a proposal to cease operations as a BDC. In addition, the 1940 Act provides that holders of preferred stock are entitled to vote separately from holders of common stock to elect two preferred stock directors. The issuance of preferred shares convertible into shares of common stock may also reduce the net income and net asset value per share of our common stock upon conversion; provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on an investment in our common stock.

***Our bylaws include an exclusive forum selection provision, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or other agents.***

## CHICAGO ATLANTIC BDC, INC.

Our bylaws require that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City (or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division) shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any Internal Corporate Claim, as such term is defined in the MGCL, (c) any action asserting a claim of breach of any duty owed by any of our directors, officers, employees or other agents to us or to our stockholders, (d) any action asserting a claim against us or any of our directors, officers, employees or other agents 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, employees or other agents that is governed by the internal affairs doctrine. The exclusive forum selection provision will not apply to claims arising under the federal securities laws, or any other claim for which the federal courts have exclusive jurisdiction. The exclusive forum selection provision may increase costs for a shareholder to bring a claim and may discourage claims or limit shareholders' ability to bring a claim in a judicial forum that they find favorable. It is also possible that a court could rule that the provision is inapplicable or unenforceable. If this occurred, we may incur additional costs associated with resolving such action in another forum, and/or the other forum may incorrectly apply or interpret the applicable Maryland law (in a manner that is adverse to us), which could materially adversely affect our business, financial condition and results of operations.

***We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect our liquidity, financial condition or results of operations.***

Our business is dependent on our and third parties' communications and information systems. Further, in the ordinary course of our business we or our investment adviser may engage certain third-party service providers to provide us with services necessary for our business. Any failure or interruption of those systems or services, including as a result of the termination or suspension of an agreement with any third-party service providers, could cause delays or other problems in our business activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our business, financial condition and operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

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

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us or our portfolio companies. The efficient operation of our business is dependent on computer hardware and software systems, as well as data processing systems and the secure processing, storage and transmission of information, all of which are potentially vulnerable to security breaches and cyber incidents or other data security breaches.

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 portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We and our investment adviser's employees expect to be the target of fraudulent calls, emails and other forms of potentially malicious or otherwise negatively impacting activities and attempts to gain unauthorized access to confidential, personal or other sensitive information. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, fines or penalties, investigations, increased cybersecurity protection and insurance costs, litigation, and damage to business relationships and reputations causing our business and results of operations to suffer. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by our Adviser and third-party service providers, and the information systems of our portfolio companies. Our Adviser has implemented processes, procedures, and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do 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. Even the most well-protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we and our service providers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us and our service providers to entirely mitigate this risk. Cybersecurity risks require continuous and increasing attention and other resources from us to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address such risks. Such attention diverts time and other resources from other activities and there is no assurance that our efforts will be effective. In addition, cybersecurity has become a top priority for global lawmakers and regulators, and some jurisdictions have proposed or enacted laws requiring companies to notify regulators and individuals of data security breaches involving certain types of personal data. In particular, state and federal laws and regulations related to cybersecurity compliance continue to evolve and change, which may require substantial investments in new technology, software and personnel, which could affect our profitability. These changes may also result in enhanced and unforeseen consequences for cyber-related breaches and incidents, which may further adversely affect our profitability. If we fail to comply with the relevant and increasing complex laws and regulations, we could suffer financial losses, a disruption of our business, liability to investors, regulatory intervention or reputational damage.

***We may be unable to invest a significant portion of the net proceeds from our IPO, or any follow-on offering of shares of our common stock, on acceptable terms within an attractive time frame.***

Delays in investing the net proceeds raised in our IPO or any follow-on offering of shares of our common stock may cause our performance to be worse than that of other fully invested Business Development Companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of our IPO or any follow-on offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it may take us a substantial period of time to invest substantially all of the net proceeds of our IPO, or any follow-on offering, in securities meeting our investment objective. During this period, we may invest the net proceeds from our IPO or any follow-on offering primarily in high-quality, short-term debt securities, consistent with our BDC election and our election to be taxed as a RIC, at yields significantly below the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during this period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of our IPO or any follow-on offering are invested in securities meeting our investment objective, the market price for our common stock may decline. Thus, the return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

***We may experience fluctuations in our quarterly results.***

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

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

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the “JOBS Act.” As a result, we intend to take advantage of certain exemptions for emerging growth companies allowing us to temporarily forgo the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act.”). We cannot predict if investors will find shares of our common stock less attractive because we rely on this exemption. If some investors find our shares of common stock less attractive as a result, there may be a less active trading market for our shares and our share price may be more volatile. We will remain an emerging growth company until the earlier of (a) the last day of the fiscal year (i) following the fifth anniversary of the completion of our initial public offering, (ii) in which we have total annual gross revenue of at least \$1.235 billion, or (iii) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of our prior second fiscal quarter, and (b) the date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the “Securities Act”) for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We will take advantage of the extended transition period for complying with new or revised accounting standards, which may make it more difficult for investors and securities analysts to evaluate us since our financial statements may not be comparable to companies that comply with public company effective dates and may result in less investor confidence.

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

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

***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 harm 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, together with adequate disclosure controls and procedures, 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. We may identify deficiencies in our internal control over financial reporting in the future, including significant deficiencies and material weaknesses. A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company’s financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We are required to disclose changes made in our internal control on financial reporting on a quarterly basis and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not detect. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

***We incur significant costs as a result of being a publicly traded company.***

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act, and other rules implemented by the SEC and the listing standards of the Nasdaq Stock Market. Upon ceasing to qualify as an emerging growth company under the JOBS Act, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, which will increase costs associated with our periodic reporting requirements.

**Risks Relating to Conflicts of Interests*****Our incentive fee may induce our Adviser to make speculative investments.***

The incentive fee payable by us to our Adviser may create an incentive for our Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The Incentive Fee on Income is based on a percentage of our net investment income (subject to a hurdle rate), which may encourage our Adviser to use leverage to increase the return on our investments or otherwise manipulate our income so as to recognize income in quarters where the hurdle rate is exceeded and may result in an obligation for us to pay an Incentive Fee on Income to the Adviser even if we have incurred a loss for an applicable period.

The Incentive Fee on Income payable by us to our Adviser also may create an incentive for our Adviser to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the investment's term, if at all. Our net investment income used to calculate the Incentive Fee on Income, however, includes accrued interest. Thus, a portion of the Incentive Fee on Income would be based on income that we will have not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligation to us. The Adviser is not obligated to return the Incentive Fee on Income it receives on accrued interest that is later determined to be uncollectible in cash. While we may make Incentive Fee on Income payments on income accruals that we may not collect in the future and with respect to which we do not have a "claw back" right against our Adviser, the amount of accrued income written off in any period will reduce our income in the period in which such write-off was taken and thereby may reduce such period's Incentive Fee on Income payment.

In addition, our Adviser may be entitled to receive an Incentive Fee on Capital Gains based upon net capital gains realized on our investments. Unlike the Incentive Fee on Income, there is no performance threshold applicable to the Incentive Fee on Capital Gains. As a result, our Adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

Given the subjective nature of the investment decisions made by our Adviser on our behalf, we are unable to monitor these potential conflicts of interest between us and our Adviser.

***Our base management fee may induce our Adviser to incur leverage.***

Our base management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, and which may encourage our Adviser to use leverage to make additional investments. Given the subjective nature of the investment decisions that our Adviser may make on our behalf and the discretion related to incurring leverage in connection with any such investments, we are unable to monitor this potential conflict of interest between us and our Adviser.

***There are significant potential conflicts of interest that could adversely impact our investment returns.***

Our executive officers and directors, and certain members of the Adviser, serve or may serve as officers, directors or principals of entities that may operate in the same or a related line of business as us or as investment funds managed by our affiliates. For example, the Adviser and its affiliates manage private investment funds, and may also manage other funds in the future that have investment mandates that are similar, in whole or in part, to our investment mandate. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, the principals of the Adviser may face conflicts of interest in the allocation of investment opportunities to us and such other funds. This conflict of interest could be amplified if our investment advisory fees are lower than those of such other funds.

In order to address potential conflicts of interest, Chicago Atlantic has adopted an investment allocation policy that governs the allocation of investment opportunities among the investment funds and other accounts managed by Chicago Atlantic. To the extent an investment opportunity is appropriate for either or both of us and/or any other investment fund or other account managed by Chicago Atlantic, and co-investment is not possible, Chicago Atlantic will adhere to its investment allocation policy in order to determine to which account to allocate the opportunity.

Although Chicago Atlantic will endeavor to allocate investment opportunities in a fair and equitable manner, we and our stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed by Chicago Atlantic.

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The investment allocation policy is also designed to manage and mitigate the conflicts of interest associated with the allocation of investment opportunities if we are able to co-invest, either pursuant to SEC interpretive positions or our exemptive order, with other accounts managed by Chicago Atlantic. Generally, under the investment allocation policy, co-investments will be allocated pursuant to the conditions of the exemptive order. Under the investment allocation policy, a portion of each opportunity that is appropriate for us and any affiliated fund or other account, which may vary based on asset class and liquidity, among other factors, will generally be offered to us and such other eligible accounts, as determined by Chicago Atlantic. If there is a sufficient amount of securities to satisfy all participants, each order will be fulfilled as placed. If there is an insufficient amount of securities to satisfy all participants, the securities will generally be allocated pro rata based on each participant's order size or available capital.

In accordance with the investment allocation policy, we might not participate in each individual opportunity, but will, on an overall basis, be entitled to participate equitably with other accounts managed by Chicago Atlantic. Chicago Atlantic seeks to treat all clients fairly and equitably in a manner consistent with its fiduciary duty to each of them; however, in some instances, especially in instances of limited liquidity, the factors may not result in pro rata allocations or may result in situations where certain accounts receive allocations where others do not.

We have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Pursuant to the Investment Advisory Agreement, our Adviser's liability is limited and we are required to indemnify our Adviser against certain liabilities. This may lead our Adviser to act in a riskier manner in performing its duties and obligations under the Investment Advisory Agreement than it would if it were acting for its own account, and creates a potential conflict of interest.

Pursuant to the Administration Agreement, the Adviser furnishes us with the facilities, including our principal executive office, and administrative services necessary to conduct our day-to-day operations. We reimburse our administrator, the Adviser, for the costs and expenses incurred by the Adviser in performing its obligations and providing personnel and facilities under the Administration Agreement (including costs and expenses incurred by the Adviser in connection with the delegation of its obligations under the Administration Agreement to a sub-administrator). We are generally not responsible for the compensation of the Adviser's employees or any overhead expenses of the Adviser (including rent, office equipment and utilities). However, we may reimburse the Adviser for an allocable portion of the compensation paid by the Adviser to our CCO and CFO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs).

*Our Adviser and its affiliates may face conflicts of interest with respect to services performed for issuers in which we may invest.*

Our Adviser and its affiliates may provide a broad range of financial services to companies in which we may invest, including providing arrangement, syndication, origination structuring and other services to portfolio companies, and will generally be paid fees for such services, in compliance with applicable law, by the portfolio company. Any compensation received by our Adviser or its affiliates for providing these services will not be shared with us and may be received before we realize a return on our investment. Our Adviser and its affiliates may face conflicts of interest with respect to services performed for these companies, on the one hand, and investments recommended to us, on the other hand and could, in certain instances, have an incentive not to pursue actions against a portfolio company that would be in our best interest.

**Risks Relating to Our Use of Leverage and Credit Facilities**

*If we borrow money, the potential for loss on amounts invested in us will be magnified and may increase the risk of investing in us.*

Borrowings, also known as leverage, magnify the potential for loss on invested equity capital. If we use leverage to partially finance our investments, through borrowings from banks and other lenders, you will experience increased risks of investing in our common stock, including the likelihood of default. If the value of our assets decreases, leveraging would cause NAV to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have had we not borrowed. To the extent we incur additional leverage, these effects would be further magnified, increasing the risk of investing in us. Such a decline could negatively affect our ability to make common stock distributions or scheduled debt payments. Leverage is generally considered a speculative investment technique and we only intend to use leverage if expected returns will exceed the cost of borrowing.

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 150%. For example, under a 150% asset coverage ratio a BDC may borrow \$2 for investment purposes of every \$1 of investor equity. If we were to incur such leverage, our NAV will decline more sharply if the value of our assets declines than if we had not incurred such leverage.

***Any credit facility we may enter into in the future would likely subject all or significant amounts of our assets to security interests and if we default on our obligations under such a credit facility, we may suffer adverse consequences, including foreclosure on our assets.***

If we enter into a secured credit facility, all or significant amounts of our assets would likely be pledged as collateral to secure borrowings thereunder. If we default on our obligations under such a facility, the lenders may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we intend to operate. As a result, we could be forced to curtail or cease new investment activities and lower or eliminate the dividends that we intend to pay to our stockholders.

In addition, if the lenders exercise their right to sell the assets pledged under a secured credit facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under such facility.

***The current period of capital markets disruption and economic uncertainty may make it difficult to obtain indebtedness and any failure to do so could have a material adverse effect on our business, financial condition or results of operations.***

Current market conditions may make it difficult to obtain indebtedness and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience, including being at a higher cost in rising rate environments. If we are unable to raise debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. An inability to obtain indebtedness could have a material adverse effect on our business, financial condition or results of operations.

Our ability to obtain indebtedness may be limited because of the unwillingness or inability of certain financial institutions to transact with cannabis-related companies such as ourselves, and we may be forced to liquidate our investments at inopportune times or prices to repay debt. See “— Risks Related to the Cannabis and Hemp Industries” below.

#### **Risks Relating to Distributions**

***Because we intend to distribute at least 90% of our taxable income each taxable year to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth.***

In order to qualify for the tax benefits available to RICs and to minimize corporate-level U.S. federal income taxes, we intend to distribute to our stockholders at least 90% of our taxable income each taxable year, except that we may retain certain net capital gains for investment, and treat such amounts as deemed distributions to our stockholders. If we elect to treat any amounts as deemed distributions, we would be subject to income taxes at the corporate rate applicable to net capital gains on such deemed distributions on behalf of our stockholders. As a result of these requirements, we will likely need to raise capital from other sources to grow our business. Because we will continue to need capital to grow our investment portfolio, these limitations together with the asset coverage requirements applicable to us may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

***We may not be able to pay you distributions, our distributions may not grow over time and/or a portion of our distributions may be a return of capital. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from our investment activities. As a result, a return of capital will (i) lower your tax basis in your shares and thereby increase the amount of capital gain (or decrease the amount of capital loss) realized upon a subsequent sale or redemption of such shares, and (ii) reduce the amount of funds we have for investment in portfolio companies. We have not established any limit on the extent to which we may use offering proceeds to fund distributions.***

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We intend to pay distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to sustain a specified level of cash distributions or periodic increases in cash distributions. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC can limit our ability to pay distributions. All distributions will be paid at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our ability to be subject to tax as a RIC, compliance with applicable BDC regulations and such other factors as our Board of Directors may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

When we make distributions, our distributions generally will be treated as dividends for U.S. federal income tax purposes to the extent such distributions are paid out of our current or accumulated earnings and profits. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of a stockholder's basis in our stock and, assuming that a stockholder holds our stock as a capital asset, thereafter as a capital gain. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from our investment activities. Moreover, we may pay all or a substantial portion of our distributions from the proceeds of the sale of shares of our common stock or from borrowings in anticipation of future cash flow, which could constitute a return of stockholders' capital and will lower such stockholders' tax basis in our shares, which may result in increased tax liability to stockholders when they sell or otherwise dispose of such shares. Distributions from offering proceeds also could reduce the amount of capital we ultimately have available to invest in portfolio companies.

***We will be subject to corporate-level U.S. federal income tax if we are unable to obtain and maintain our qualification as a RIC under Subchapter M of the Code or do not satisfy the annual distribution requirement.***

To obtain and maintain our status as a RIC and be relieved of U.S. federal taxes on income and gains distributed to our stockholders, we must meet the following annual distribution, income source and asset diversification requirements:

- The annual distribution requirement will be satisfied if we distribute to our stockholders each taxable year an amount generally at least equal to 90% of the sum of our net taxable income plus realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because we may use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act and we may be subject to certain financial covenants under our debt arrangements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the annual distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus could become subject to corporate-level income tax.
- The 90% gross income test will be satisfied if we earn at least 90% of our gross income for each taxable year from dividends, interest, gains from the sale of stock or securities or similar sources.
- The diversification test will be satisfied if, at the end of each quarter of our taxable year, at least 50% of the value of our assets consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships." Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could cause us to incur substantial losses.

If we fail to be treated as a RIC and are subject to entity-level U.S. federal corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

***We may have difficulty paying our required distributions if we are required to recognize income for U.S. federal income tax purposes before or without receiving cash representing such income.***

For U.S. federal income tax purposes, we generally may be required to include in income certain amounts that we will have not yet received in cash, such as OID or certain income accruals on contingent payment debt instruments, which may occur if we receive warrants in connection with the origination of a loan or possibly in other circumstances. Such OID is generally required to be included in income before we receive any corresponding cash payments. In addition, our loans may contain PIK interest provisions. Any PIK interest, computed at the contractual rate specified in each loan agreement, is generally required to be added to the principal balance of the loan and recorded as interest income. We also may be required to include in income certain other amounts that we do not receive, and may never receive, in cash. To avoid the imposition of corporate-level tax on us, this non-cash source of income may need to be distributed to our stockholders in cash or, in the event we determine to do so, in shares of our common stock, even though we may have not yet collected and may never collect the cash relating to such income.

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Because, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to be relieved of entity-level U.S. federal taxes on income and gains distributed to our stockholders. Accordingly, we may have to sell or otherwise dispose of some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to satisfy the annual distribution requirement and thus become subject to corporate-level U.S. federal income tax.

*We may in the future choose to pay distributions partly in our own stock, in which case you may be subject to tax in excess of the cash you receive.*

We may distribute taxable distributions that are payable in part in our stock. In accordance with certain applicable U.S. Treasury regulations and other related administrative pronouncements issued by the Internal Revenue Service, or the IRS, a RIC may be eligible to treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder is permitted to elect to receive his or her entire distribution in either cash or stock of the RIC, subject to the satisfaction of certain guidelines. If too many stockholders elect to receive cash (which generally may not be less than 20% of the value of the overall distribution), each stockholder electing to receive cash must receive a pro rata amount of cash (with the balance of the distribution paid in stock). If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the distribution paid in stock generally will be equal to the amount of cash that could have been received instead of stock. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of their share of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be subject to tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we and other withholding agents may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on distributions, such sales may put downward pressure on the trading price of our stock.

**Risks Relating to Our Investments**

*Our investments in portfolio companies may be risky, and we could lose all or parts of our investments.*

The companies in which we intend to invest will typically be highly leveraged, and, in most cases, our investments in such companies will not be rated by any rating agency. If such investments were rated, we believe that they would likely receive a rating from a nationally recognized statistical rating organization of below investment grade (i.e., below BBB- or Baa), which is often referred to as “high-yield” and “junk.” Exposure to below investment grade securities involves certain risks, and those securities are viewed as having predominately speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. In addition, some of the loans in which we may invest may be “covenant-lite” loans. We use the term “covenant-lite” loans to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, “covenant-lite” loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower’s financial condition. Accordingly, to the extent we invest in “covenant-lite” loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with a complete set of financial maintenance covenants. Investing in middle-market companies involves a number of significant risks.

Certain of our debt investments may consist of debt securities for which issuers are not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. Increases in interest rates may affect the ability of our portfolio companies to repay debt or pay interest, which may in turn affect the value of our portfolio investments, and our business, financial condition and results of operations.

Among other things, portfolio companies:

- may have limited financial resources, may have limited or negative EBITDA and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investments, as well as a corresponding decrease in the value of the equity components of our investments;
- may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- may operate in regulated industries and/or provide services to federal, state or local governments, or operate in industries that provide services to regulated industries or federal, state or local governments, any of which could lead to delayed payments for services or subject the company to changing payment and reimbursement rates or other terms;
- may not have collateral sufficient to pay any outstanding interest or principal due to us in the event of a default by these companies;
- are more likely to depend on the management talents and efforts of a small group of people; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- may have difficulty borrowing or otherwise accessing the capital markets to fund capital needs, which may be more acute because such companies are operating in the cannabis industry, and which limit their ability to grow or repay outstanding indebtedness at maturity (see "— Risks Related to the Cannabis and Hemp Industries" below);
- may not have audited financial statements or be subject to the Sarbanes-Oxley Act and other rules that govern public companies;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- generally have less publicly available information about their businesses, operations and financial condition.

As a result of the limitations associated with certain portfolio companies, we must therefore rely on the ability of our Adviser to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. In addition, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

Finally, as noted above, little public information generally exists about privately owned companies, and these companies may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of our Adviser to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. Additionally, these companies and their financial information will not generally be subject to the Sarbanes-Oxley Act and other rules that govern public companies.

***To the extent OID and PIK interest constitute a portion of our income, we may be exposed to higher risks with respect to such investments.***

Our investments may include OID and contractual PIK interest, which typically represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent OID or PIK interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- OID and PIK instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;
- OID and PIK accruals may create uncertainty about the source of our distributions to stockholders;
- 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 the collateral;
- OID and PIK instruments may represent a higher credit risk than coupon loans; and
- Our net investment income used to calculate the Incentive Fee on Income will include OID and PIK interest, and the Adviser is not obligated to return the Incentive Fee on Income it receives on OID and PIK interest that is later determined to be uncollectible in cash.

*If we acquire the securities and obligations of distressed or bankrupt companies, such investments may be subject to significant risks, including lack of income, extraordinary expenses, uncertainty with respect to satisfaction of debt, lower-than-expected investment values or income potentials and resale restrictions.*

We may acquire the securities and other obligations of distressed or bankrupt companies. At times, distressed debt obligations may not produce income and may require us to bear certain extraordinary expenses (including legal, accounting, valuation and transaction expenses) in order to protect and recover our investment. Therefore, to the extent we invest in distressed debt, our ability to achieve current income for our stockholders may be diminished, particularly where the portfolio company has negative EBITDA.

We also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt we invest in will eventually be satisfied, whether through liquidation, an exchange offer or a plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation. In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt held by us, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made.

Moreover, any securities received by us upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of our participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, we may be restricted from disposing of such securities.

*Our portfolio companies may prepay loans, which may reduce our yields if capital returned cannot be invested in transactions with equal or greater expected yields.*

The loans we anticipate holding in our investment portfolio may be prepaid at any time, generally with little advance notice. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change, we do not know when, and if, prepayment may be possible for each portfolio company. In some cases, the prepayment of a loan may reduce our achievable yield if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations.

*We may be subject to risks arising from revolving credit facilities.*

We may acquire or originate revolving credit facilities from time to time. A revolving credit facility is a line of credit in which the borrower pays the lender a commitment fee during a commitment period and is then allowed to draw from the line of credit from time to time until the end of such commitment period. The borrower of a revolving credit facility is typically permitted to draw thereunder for any reason, including to fund its operational requirements, to make acquisitions or to reserve cash, so long as certain customary conditions are met. Outstanding draw-downs under such revolving credit facilities can therefore fluctuate on a day-to-day basis, which may generate operational and other costs for us. If the borrower of a revolving credit facility draws down on the facility, we would be obligated to fund the amounts due.

We can offer no assurance that a borrower of a revolving credit facility will fully draw down its available credit thereunder, and in many cases a borrower with sufficient liquidity may forego drawing down its available credit thereunder in favor of obtaining other liquidity sources. As a result, we are likely to hold unemployed funds, and investments in revolving credit facilities may therefore adversely affect our returns.

***The lack of liquidity in our investments may adversely affect our business.***

We intend to invest in companies whose securities are not publicly traded, and whose securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. In fact, all of our assets may be invested in illiquid securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments and suffer losses. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. In addition, we may also face restrictions on our ability to liquidate our investments if our Adviser or any of its affiliates have material nonpublic information regarding the portfolio company.

***We may not have the funds or ability to make additional investments in our portfolio companies.***

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through a follow-on investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation, may reduce the expected yield on the investment or may impair the value of our investment in any such portfolio company.

***Portfolio companies may be highly leveraged.***

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

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

We invest primarily in senior secured loans, including unitranche and second lien debt instruments, as well as unsecured debt instruments, issued by our portfolio companies. If we invest in unitranche, second lien, or unsecured debt instruments, our portfolio companies typically may be permitted to incur other debt that ranks equally with, or senior to, such debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we will be entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. In such cases, after repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***The disposition of our investments may result in contingent liabilities.***

In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

***There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.***

Even though we may structure some of our investments as senior loans, if one of our portfolio companies were to enter bankruptcy proceedings, a bankruptcy court might re-characterize our debt investment and subordinate all or a portion of our claim to that of other creditors, depending on the facts and circumstances, including the extent to which we actually provide managerial assistance to that portfolio company. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

***Second priority liens on collateral securing loans that we may make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.***

Certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we may make to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more inter-creditor agreements that we enter into with the holders of senior debt. Under such an inter-creditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions may be taken with respect to the collateral and will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

***If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event such portfolio companies default on their indebtedness.***

We may make unsecured debt investments in portfolio companies. Unsecured debt investments are unsecured and junior to other indebtedness of the portfolio company. As a consequence, the holder of an unsecured debt investment may lack adequate protection in the event the portfolio company becomes distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event the portfolio company defaults on its indebtedness. In addition, unsecured debt investments of middle-market companies are often highly illiquid and in adverse market conditions may experience steep declines in valuation even if they are fully performing.

***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, and state court foreclosure processes and other creditors' remedies with respect to cannabis companies are largely untested. Results of foreclosure processes or other exercises of creditors' rights 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 or other remedies 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 or other remedy 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 "—The loans that we expect to make may be secured by collateral that is, 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 cannabis companies 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, resulting in a diminution of its value. Even if we are successful in foreclosing on collateral securing our loan, the liquidation proceeds upon sale of the collateral may not be sufficient to recover our loan. Any costs or delays involved in the foreclosure or a liquidation of the collateral 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 may not have the ability to hold such equity interests legally under federal law, which may result in additional losses on our loans to such entity.

***The loans that we expect to make may be secured by collateral that is, 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.***

The loans that we expect to make may be secured by collateral that is, and will be, subject to various legal and regulatory requirements, and we would be subject to such requirements if such collateral was foreclosed upon. Due to current legal requirements, we will not own equity securities in companies that are not compliant with all applicable laws and regulations within the jurisdiction in which they are located or operate, including federal laws, nor will we own any real estate used in cannabis-related operations in violation of state or federal law. 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 collateral, the regulatory requirements and statutory prohibitions related to equity investments in cannabis companies and real property used in cannabis-related operations may cause significant delays or difficulties in realizing upon the expected value of such collateral. In addition, applicable legal requirements may prevent us from possessing or realizing the value of other collateral securing our loans, such as cannabis licenses, cannabis inventory or cannabis merchandise. Our inability to realize the full value of such collateral could have a material adverse effect on our business, financial condition, liquidity and results of operations. We may also be disadvantaged in a foreclosure process or other exercise of creditors' rights relative to other creditors that are able to hold such collateral. We make no assurance that existing regulatory policies will not materially and adversely affect the value or availability to us of all such collateral, or our standing relative to other creditors that are able to hold such collateral, or that additional regulations will not be adopted that would increase such potential material adverse effect.

***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 or others' ability to acquire, own or hold 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. In addition, because the sales of such assets may be forced upon the borrower when time may be of the essence and available to a limited number of potential purchasers, the sales prices may be less than the prices that could be obtained with more time and/or in a larger market.

***The market value of properties and equipment securing our loans may decrease upon foreclosure if they cannot be used for cannabis related operations.***

Properties and equipment used for cannabis operations, particularly cultivation and manufacturing facilities and equipment, are generally more valuable than if used for other purposes. If we foreclose on any properties or equipment securing our loans, the inability to sell the property or equipment to a licensed cannabis company for a similar use may significantly decrease the market value of the foreclosed property or equipment, thereby having a material adverse effect on our business, financial condition, liquidity and results of operations.

***We may incur greater risk with respect to investments we acquire through assignments or participations of interests.***

Although we intend to originate a substantial portion of our loans, we may acquire loans through assignments or participations of interests in such loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to such debt obligation. However, the purchaser's rights can be more restricted than those of the assigning institution, and we may not be able to unilaterally enforce all rights and remedies under an assigned debt obligation and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest and not directly with the borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, we generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and we may not directly benefit from the collateral supporting the debt obligation in which we have purchased the participation. As a result, we will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, we will not be able to conduct the same level of due diligence on a borrower or the quality of the loan with respect to which we are buying a participation as we would conduct if we were investing directly in the loan. This difference may result in us being exposed to greater credit or fraud risk with respect to such loans than we expected when initially purchasing the participation.

***We generally do not expect to control our portfolio companies.***

We generally do not expect to control our portfolio companies. As a result, we may be subject to the risk that a portfolio company may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as a debt investor, including actions that could decrease the value of our investment. Due to the lack of liquidity for our anticipated investments, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation.

***Defaults by our portfolio companies would harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, some of the loans in which we may invest may be "covenant-lite" loans. We use the term "covenant-lite" loans to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, "covenant-lite" loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. Accordingly, to the extent we invest in "covenant-lite" loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with a complete set of financial maintenance covenants.

We may write down the value of a portfolio company investment upon the worsening of the financial condition of the portfolio company or in anticipation of a default, which could also have a material adverse effect on our business, financial condition and results of operations.

***Our portfolio companies may experience financial distress and our investments in such companies may be restricted.***

Our portfolio companies may experience financial distress from time to time. Debt investments in such companies may cease to be income-producing, may require us to bear certain expenses to protect our investment and may subject us to uncertainty as to when, in what manner and for what value such distressed debt will eventually be satisfied, including through liquidation, reorganization or bankruptcy. Any restructuring can fundamentally alter the nature of the related investment, and restructurings may not be subject to the same underwriting standards that our Adviser employs in connection with the origination of an investment. In addition, we may write down the value of our investment in any such company to reflect the status of financial distress and future prospects of the business. Any restructuring could alter, reduce or delay the payment of interest or principal on any investment, which could delay the timing and reduce the amount of payments made to us. For example, if an exchange offer is made or plan of reorganization is adopted with respect to the debt securities we currently hold, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will have a value or income potential similar to what we anticipated when our original investment was made or even at the time of restructuring. Restructurings of investments might also result in extensions of the term thereof, which could delay the timing of payments made to us, or we may receive equity securities, which may require significantly more of our management's time and attention or carry restrictions on their disposition. We cannot assure you that any particular restructuring strategy pursued by our Adviser will maximize the value of or recovery on any investment.

***We may not realize gains from our equity investments.***

CHICAGO ATLANTIC BDC, INC.

Certain investments we may make may include warrants or other equity securities. In addition, we may make direct equity investments in companies. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we may receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from the equity interests we may hold, and any gains that we do realize on the disposition of any such equity interests may not be sufficient to offset any other losses we may experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We may seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress.

***We are subject to certain risks associated with foreign investments.***

We may make investments in foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in foreign exchange rates, exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Foreign investment risk may be particularly high to the extent that we invest in securities of issuers based in or securities denominated in the currencies of emerging market countries. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, and greater than, the risks of investing in developed foreign countries.

In addition, such foreign investments generally do not constitute "qualifying assets" under the 1940 Act.

Our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our business as a whole.

***We may expose ourselves to risks if we engage in hedging transactions.***

Subject to applicable provisions of the 1940 Act and applicable regulations promulgated by the CFTC, we may enter into hedging transactions, which may expose us to risks associated with such transactions. Such hedging may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions and amounts due under any credit facility from changes in currency and market interest rates. Use of these hedging instruments may include counterparty credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions and amounts due under any credit facility or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of any hedging transactions, if any, will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to (or be able to) establish a perfect correlation between such hedging instruments and the portfolio holdings or credit facilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

***We are a non-diversified investment company within the meaning of the 1940 Act, and therefore have few restrictions with respect to the proportion of our assets that may be invested in securities of a single industry or issuer.***

CHICAGO ATLANTIC BDC, INC.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single industry or issuer, excluding limitations on investments in other investment companies. To the extent that we assume large positions in the securities of a small number of industries or issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the security, industry or issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond RIC diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few industries or issuers.

***We may enter into total return swap agreements which expose us to certain risks, including market risk, liquidity risk and other risks similar to those associated with the use of leverage.***

We may enter into a total return swap ("TRS") directly or through a wholly-owned financing subsidiary. A TRS is a contract in which one party agrees to make periodic payments to another party based on the change in the market value of the assets underlying the TRS, which may include a specified security, basket of securities or securities indices during a specified period, in return for periodic payments based on a fixed or variable interest rate. A TRS effectively adds leverage to a portfolio by providing investment exposure to a security or market without owning or taking physical custody of such security or investing directly in such market. Because of the unique structure of a TRS, a TRS often offers lower financing costs than are offered through more traditional borrowing arrangements.

A TRS may enable us to obtain the economic benefit of owning assets subject to the TRS, without actually owning them, in return for an interest type payment to the counterparty. As such, the TRS would be analogous to us borrowing funds to acquire assets and incurring interest expense to a lender.

A TRS is subject to market risk, liquidity risk and risk of imperfect correlation between the value of the TRS and the assets underlying the TRS. In addition, we may incur certain costs in connection with a TRS that could in the aggregate be significant.

A TRS is also subject to the risk that a counterparty will default on its payment obligations thereunder or that we will not be able to meet our obligations to the counterparty. We may be required to post cash collateral amounts to secure our obligations to the counterparty under a TRS. The counterparty, however, may not be required to collateralize any of its obligations to us under a TRS. We would bear the risk of depreciation with respect to the value of the assets underlying a TRS and may be required under the terms of a TRS to post additional collateral on a dollar-for-dollar basis in the event of depreciation in the value of the underlying assets after such value decreases below a specified amount. The amount of collateral required to be posted by us would be determined primarily on the basis of the aggregate value of the underlying assets.

If the counterparty chooses to exercise its termination rights under a TRS, it is possible that, because of adverse market conditions existing at the time of such termination, we will owe more to the counterparty (or will be entitled to receive less from the counterparty) than we would otherwise have if we controlled the timing of such termination.

In addition, because a TRS is a form of synthetic leverage, such arrangements are subject to risks similar to those associated with the use of leverage. See "— Risks Related to Our Use of Leverage and Credit Facilities" above.

The fair value of a TRS, which will not necessarily equal the notional value of such TRS, will be included in our calculation of gross assets for purposes of computing the base management fee. For purposes of computing the Incentive Fee on Income and the Incentive Fee on Capital Gains, the calculation methodology will look through any TRS as if we owned the reference assets directly. See "Item 1. Business — Investment Advisory Agreement — Overview of Our Investment Adviser — Management Fee."

For purposes of Section 55(a) under the 1940 Act, the Company treats each loan underlying a TRS as a qualifying asset if the obligor on such loan is an eligible portfolio company and as a non-qualifying asset if the obligor is not an eligible portfolio company. The Company may, however, accord different treatment to a TRS in the future in accordance with any applicable new rules or interpretations adopted by the SEC or its staff.

***Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited, among other reasons, because of the unwillingness or inability of certain financial institutions to transact with cannabis-related companies such as ourselves.***

In November 2020, the SEC adopted Rule 18f-4 under the 1940 Act regarding the ability of a BDC (or a registered investment company) to use derivatives and other transactions that create future payment or delivery obligations. Under Rule 18f-4, which BDCs were required to comply with no later than August 19, 2022, BDCs that use derivatives are subject to a value-at-risk leverage limit, a derivatives risk management program and testing requirements and requirements related to board reporting. These new requirements apply unless the BDC qualifies as a “limited derivatives user,” as defined under Rule 18f-4. Under Rule 18f-4, a BDC may enter into an unfunded commitment agreement that is not a derivatives transaction, such as an agreement to provide financing to a portfolio company, if the BDC has, among other things, a reasonable belief, at the time it enters into such an agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements, in each case as it becomes due. Collectively, these requirements may limit our ability to use derivatives and/or enter into certain other financial contracts. We have adopted updated policies and procedures in compliance with Rule 18f-4, and currently qualify as a “limited derivatives user.” Our ability to enter into derivatives transactions may be limited because of the unwillingness or inability of certain financial institutions to transact with cannabis-related companies such as ourselves.

***The health and wellness sector is highly regulated and competitive.***

The health and wellness sector is highly regulated, and the production, packaging, labeling, advertising, distribution, licensing and/or sale of health and wellness products and services may be subject to regulation by several U.S. federal agencies, including the U.S. Food and Drug Administration (the “FDA”), the Federal Trade Commission, the Consumer Product Safety Commission, and the Environmental Protection Agency, as well as various state, local and international laws and agencies of the localities in which such products and services are offered or are sold. Government regulations may prevent or delay the introduction or require design modifications of these products. Regulatory authorities may not accept the evidence of safety presented for existing or new products or services that a health and wellness company may wish to market, or they may determine that a particular product or service presents an unacceptable health risk. If health and wellness companies are unable to obtain regulatory approval or fail to comply with these regulatory requirements, the financial condition of such companies could be adversely affected.

There can be no assurance that future changes in government regulation will not adversely affect health and wellness companies. The health and wellness sector is highly competitive and an emerging health and wellness company may be unable to compete effectively. Health and wellness companies are particularly susceptible to unfavorable publicity or client rejection of products, which could reduce sales of products or services. Safety, quality and efficacy standards are extremely important for health and wellness companies. If a health and wellness company fails to meet these standards, its reputation could be damaged, it could lose customers, and its revenue and results of operations could decline.

**Risks Relating to the Cannabis and Hemp Industries**

***Risks related to the cannabis industry may directly or indirectly affect us or our portfolio companies engaged in the cannabis industry.***

Investing in portfolio companies involved in the cannabis industry subjects us to the following risks:

- The cannabis industry is extremely speculative and raises a host of legality issues, making it subject to inherent risk;
- The manufacture, distribution, sale, or possession of cannabis that is not in compliance with the U.S. Controlled Substances Act is illegal under U.S. federal law. Strict enforcement of U.S. federal laws regarding cannabis would likely result in our portfolio companies’ inability to execute a business plan in the cannabis industry, and could result in the loss of all or part of any of our loans;
- The current Presidential Administration’s or specifically the U.S. Department of Justice’s change in policies or enforcement with respect to U.S. federal cannabis laws could negatively impact our portfolio companies’ ability to pursue their prospective business operations and/or generate revenues;
- U.S. federal courts may refuse to recognize the enforceability of contracts pertaining to any business operations that are deemed illegal under U.S. federal law, including cannabis companies operating legally under state law;
- Consumer complaints and negative publicity regarding cannabis-related products and services could lead to political pressure on states to implement new laws and regulations that are adverse to the cannabis industry, to not modify existing, restrictive laws and regulations, or to reverse current favorable laws and regulations relating to cannabis;
- Assets collateralizing loans to cannabis businesses may be forfeited to the U.S. federal government in connection with government enforcement actions under U.S. federal law;

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- U.S. Food and Drug Administration regulation of cannabis and the possible registration of facilities where cannabis is grown could negatively affect the cannabis industry, which could directly affect our financial condition and the financial condition of our portfolio companies;
- Due to our proposed strategy of investing in portfolio companies engaged in the regulated cannabis industry, our portfolio companies may have a difficult time obtaining the various insurance policies that are needed to operate such businesses, which may expose us and our portfolio companies to additional risks and financial liabilities;
- The cannabis industry may face significant opposition from other industries that perceive cannabis products and services as competitive with their own, including but not limited to the pharmaceutical industry, adult beverage industry and tobacco industry, all of which have powerful lobbying and financial resources;
- Many national and regional banks have been resistant to doing business with cannabis companies because of the uncertainties presented by federal law and, as a result, we or our portfolio companies may have difficulty borrowing from or otherwise accessing the service of banks, which may inhibit our ability to open bank accounts or otherwise utilize traditional banking services;
- Due to our proposed strategy of investing in portfolio companies engaged in the regulated cannabis industry, we or our portfolio companies may have a difficult time obtaining financing in connection with our investment strategy; and
- Laws and regulations affecting the regulated cannabis industry are varied, broad in scope and subject to evolving interpretations, and may restrict the use of the properties our portfolio companies acquire or require certain additional regulatory approvals, which could materially adversely affect our investments in such portfolio companies.

Any of the foregoing could have an adverse impact on our and our portfolio companies' businesses, financial condition and results of operations.

***Cannabis, except for hemp, is currently illegal under U.S. federal law and in other jurisdictions, and strict enforcement of federal laws would likely result in our inability to execute our business plan.***

The ability of our cannabis portfolio companies to achieve their business objectives will be contingent, in part, upon the legality of the cannabis industry, their compliance with regulatory requirements enacted by various governmental authorities, and their obtaining all necessary regulatory approvals. The laws and regulations governing cannabis are still developing, including in ways that we or our portfolio companies may not foresee. Any amendment to or replacement of existing laws to make them more onerous, or delays in amending or replacing existing laws to liberalize the legal possession and use of cannabis, or delays in obtaining, or the failure to obtain, any necessary regulatory approvals may significantly delay or impact negatively the markets in which our portfolio companies operate, products and sales initiatives, and could have a material adverse effect on their and our business, liquidity, financial condition and/or results of operations.

*Legal status of cannabis, other than hemp*

Forty states and the District of Columbia have legalized some form of whole-plant cannabis cultivation, sales and use for certain medical purposes (medical states). Twenty-four of those states and the District of Columbia have also legalized cannabis for adults for non-medical purposes (sometimes referred to as recreational use).

Under U.S. federal law, however, those activities are illegal. The Controlled Substances Act (the "CSA") continues to list cannabis (marijuana, but not including hemp) as a Schedule I controlled substance (i.e., deemed to have no medical value), and accordingly, the manufacture (growth), sale or possession of cannabis is federally illegal, even for personal medical purposes. It also remains federally illegal to advertise the sale of cannabis or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is traditionally used with tobacco or authorized by federal, state or local law. Entities or persons who knowingly lease or rent a property for the purposes of manufacturing, distributing or using any controlled substances, or merely know that any of those activities are occurring on land that they control, can also be found liable under the CSA. Additionally, violating the CSA is a predicate specified unlawful activity under U.S. anti-money laundering laws.

Violations of any U.S. federal laws and regulations can result in arrests, criminal charges, forfeiture of property, significant fines and penalties, disgorgement of profits, administrative sanctions, criminal convictions and cessation of business activities, as well as civil liabilities arising from proceedings initiated by either the U.S. government or private citizens. The U.S. government could enforce the federal cannabis prohibition laws even against companies complying with state law.

The likelihood of adverse enforcement against companies complying with state cannabis laws remains uncertain. The U.S. government has not recently prosecuted any state law compliant cannabis entity, although the risk of future enforcement cannot be dismissed entirely. In 2018, then-U.S. Attorney General Sessions rescinded the DOJ's previous guidance (the Cole Memo) that had given federal prosecutors discretion not to enforce federal law in states that legalized cannabis, as long as the state's legal regime adequately addressed specified federal priorities, and had authorized federal prosecutors to use their prosecutorial discretion to decide whether to prosecute state-legal adult-use cannabis activities. Since that time, U.S. Attorneys have taken no legal action against state law compliant entities.

Unlike President Biden, President Trump has not taken an explicit stance on cannabis from a federal perspective or promised any type of reform. President Trump was supportive of Florida's failed initiative to make cannabis recreationally legal in the state and he seemed to have no interest in challenging states rights to legalize medical or recreational cannabis in his first term in office, which may mean that the federal government would not criminally enforce the Schedule I 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. While rescheduling cannabis to CSA Schedule II would ease certain research restrictions and rescheduling cannabis to CSA Schedule III would ease certain tax burdens (in addition to easing research restrictions), it would not make the state medical or adult use programs federally legal. Furthermore, while industry observers are still hopeful that Congress will progress banking reform, such as the SAFE Banking Act, we cannot provide assurances that a bill legalizing cannabis would be approved by Congress.

If it became law, the SAFE Banking Act would, among other things, provide protection from federal prosecution to banks and other financial institutions that provide financial services to state-licensed cannabis companies, which may include the provision of loans by financial institutions to such companies. If the SAFE Banking Act became law, or cannabis became legal under federal law, there would be increased competition for lending to state-licensed cannabis companies, and such companies would have greater access to financing sources with lower costs of capital. These factors may result in us having to enter into loans at lower rates, which may significantly adversely impact our profitability and our distributions to stockholders.

Since December 2014, companies strictly complying with state medical cannabis laws have also been protected against enforcement by an amendment (originally called the Rohrabacher-Farr amendment, now called the Joyce amendment) to the Omnibus Spending Bill, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Courts have interpreted the provision to bar the DOJ from prosecuting any person or entity in strict compliance with state medical cannabis laws. While the Joyce provision prevents prosecutions, it does not make cannabis legal. Accordingly, if the protection expired, prosecutors could prosecute illegal activity that occurred within the statute of limitations even if the Joyce protection was in place when the federally illegal activity occurred. The Joyce protection depends on its continued inclusion in the federal omnibus spending bill, or in some other legislation, and entities' strict compliance with the state medical cannabis laws. Furthermore, how the DOJ would enforce against an entity complying with a state's medical and adult use laws has not been resolved and is open to debate.

#### *Legal status of hemp and hemp derivatives*

Until recently, hemp (defined by the U.S. government as *Cannabis sativa* L. with a THC concentration of not more than 0.3% on a dry weight basis) and hemp's extracts (except mature stalks, fiber produced from the stalks, oil or cake made from the seeds and any other compound, manufacture, salt derivative, mixture or preparation of such parts) were illegal Schedule I controlled substances under the CSA. The Agricultural Act of 2014, Pub.L. 113-79 (the "2014 Farm Bill") authorized states to establish industrial hemp research programs. The majority of states established programs purportedly in compliance with the 2014 Farm Bill. Many industry participants and even states interpreted the law to include "research" into the commercialization of, and commercial markets for, CBD from hemp, including products containing CBD.

In December 2018, the U.S. government changed hemp's legal status. The Agriculture Improvement Act of 2018, Pub.L. 115-334 (the "2018 Farm Bill"), removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale and possession of hemp or extracts of hemp, including CBD, no longer violate the CSA. The 2018 Farm Bill did not create a system in which individuals or businesses can grow hemp whenever and wherever they want. There are numerous restrictions. The 2018 Farm Bill allows hemp cultivation under state plans approved by the U.S. Department of Agriculture ("USDA") or under USDA regulations in states that have legalized hemp but not implemented their own regulations. It also allows the transfer of hemp and hemp-derived products across state lines for commercial or other purposes, even through states that have not legalized hemp or hemp-derived products. Nonetheless, states can still prohibit hemp or limit hemp more stringently than the federal law.

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Despite the passage of the 2018 Farm Bill, hemp products' legal status is complicated further by state and other federal law. The states are a patchwork of different laws on hemp and its extracts, including CBD. Additionally, the FDA claims that the Food, Drugs & Cosmetics Act (the "FDCA") significantly limits the legality of hemp-derived CBD products.

The section of the 2018 Farm Bill establishing a framework for hemp production also states explicitly that it does not affect or modify the FDCA, Section 351 of the Public Health Service Act, or the authority of the Commissioner of the FDA under those laws. Within hours of President Trump signing the 2018 Farm Bill, the FDA issued a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the [FDCA] and Section 351 of the Public Health Service Act." First, the FDA noted that "it's unlawful under the [FDCA] to introduce food containing added CBD or 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) are active ingredients in FDA-approved drugs and became the subject of public substantial clinical investigations when GW Pharmaceuticals submitted investigational new drug ("IND") applications for Sativex and Epidiolex, both containing CBD as an active ingredient. The FDA then warned against health claims: 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) 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]." 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. The FDA did acknowledge that hemp foods not containing CBD or THC (e.g., hulled hemp seeds, hemp seed protein, hemp seed oil) are legal.

Some CBD products are arguably federally legal today, notwithstanding the FDA's position. To the extent that a CBD product is outside the FDA's jurisdiction, the product is likely federally legal because CBD, unlike many drugs that the FDA regulates, is no longer listed on the CSA's schedules. CBD products other than food, beverages and supplements and not marketed as a drug, including making health claims, may fall outside of the FDA's authority. If so, some products that may be legal today include topical products such as cosmetics, massage oils, lotions and creams. Additionally, the FDA lacks authority, except in limited circumstances, to enforce against companies selling CBD products that do not enter into "interstate commerce," although the definition of interstate commerce is amorphous and may include sources of ingredients, components or even investments that in some way impact more than one state.

Enforcement under the FDCA may be criminal or civil in nature and can include those who aid and abet a violation, or conspire to violate, the FDCA. Violations of the FDCA are for first violations misdemeanors punishable by imprisonment up to one year or a fine, or both, and for second violations or violations committed with an "intent to defraud or mislead" felonies punishable by fines and imprisonment up to three years. The fines provided for are low (\$1,000 and \$3,000), but under the Criminal Fine Improvements Act of 1987, the criminal fines can be increased significantly (approximately \$100,000 to \$500,000). Civil remedies under the FDCA include civil money penalties, injunctions and seizures. The FDA also has a number of administrative remedies (e.g., warning letters, recalls, debarment). With respect to CBD products, the FDA so far has limited its enforcement to sending cease-and-desist letters to companies selling CBD products and making "egregious, over-the-line" claims, such as "cures cancer," "treats Alzheimer's Disease" and "treats chronic pain." Additionally, plaintiff lawyers have brought putative class actions against several companies selling CBD product, claiming that the marketing of them as legal products violates California law, although most of the cases have been stayed pending the FDA issuing promised guidelines to the industry. Since issuing the initial guidance following the 2018 Farm Bill, the FDA has sent cease-and-desist warning letters to more than twenty companies making health claims about CBD products. The Federal Trade Commission ("FTC") has also sent warning letters to companies making unsubstantiated health claims about CBD products and has even filed a lawsuit against one. The FDA's additional guidance on CBD, titled, "Cannabidiol Enforcement Policy; Draft Guidance for Industry," which the FDA has described as a "risk-based enforcement policy" to prioritize enforcement decisions, was submitted to the White House on July 22, 2020, was not formally approved by the Trump administration, and has been pulled back by the Biden Administration. In early 2023, the FDA's cannabis working group announced that it could not permit CBD to be regulated as a supplement due to significant safety concerns and uncertainties. Instead, the FDA asked Congress for help to design a fit-for-purpose regulatory pathway for CBD which, to date, Congress has not acted on.

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

We primarily 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 and companies operating in the cannabis industry generally involve a number of significant risks, including, but not limited to, the following:

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- 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 Adviser 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.

***Our investment opportunities are limited by the current illegality of cannabis under U.S. federal law; changes in the laws, regulations and guidelines that impact the cannabis industry may cause adverse effects on our ability to make investments.***

Currently, we intend to make equity investments only in portfolio companies that are compliant with all applicable laws and regulations within the jurisdictions in which they are located or operate and, in particular, we will not make an equity investment in a portfolio company that we determine has been operating, or whose business plan is to operate, in violation of U.S. federal laws, including the U.S. Controlled Substances Act. This limitation may adversely affect us by limiting the scope of our equity investment opportunities. Additionally, changes to such laws, regulations and guidelines may cause further adverse effects on our ability to identify and make an equity investment in a portfolio company that meets these legal and regulatory requirements at the time of acquisition.

On the other hand, we may make a loan to a portfolio company regardless of its status under U.S. federal law, so long as we determine based on our due diligence that the portfolio company is licensed in, and complying with, state-regulated cannabis programs. Any such loans will be designed to be compliant with all applicable laws and regulations to which we are subject, including U.S. federal law, although the law in this area is not fully settled and there can be no assurances that federal authorities will consider such loans to be compliant with applicable law and regulations. In that regard, we have received an opinion of counsel (a copy of which has been filed as an exhibit to our IPO registration statement) that the proposed investment activities as described in our IPO prospectus do not violate the U.S. Controlled Substances Act (21 U.S.C. § 801, et seq.) (the "CSA"), the U.S. Money Laundering Control Act (18 U.S.C. § 1956), or the Drug Paraphernalia law contained in the CSA, 21 U.S.C. § 863, subject to certain assumptions, qualifications and exceptions stated in the opinion. However, there can be no assurances that a court or federal authorities would agree with the conclusions reached in the opinion. Additionally, if federal legislation is enacted that provides protections from liability under U.S. federal law for other types of investments in portfolio companies that are compliant with state, but not U.S. federal, laws and is determined to apply to us (or we otherwise determine that the investment is not prohibited), we may make other types of investments in portfolio companies that do not comply with U.S. federal laws. There can be no assurance, however, that such type of legislation will be enacted or that we will otherwise be able to invest in portfolio companies that do not comply with U.S. federal law.

***The nascent status of the medical and recreational cannabis industry involves unique circumstances and there can be no assurance that the industry will continue to exist or grow as currently anticipated.***

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Cannabis industry businesses operate under a relatively new medical and adult-use recreational market. In addition to being subject to general business risks, a business involving an agricultural product and a regulated consumer product needs to continue to build brand, product awareness and operations through significant investments in strategy, production capacity, quality assurance and compliance with regulations.

Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are not well understood and may have unique circumstances that differ from existing industries and markets.

There can be no assurance that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with our expectations and assumptions. Any event or circumstance that affects the medical or recreational cannabis industry and market could have a material adverse effect on our business, financial condition and results of operations, as well as the business, financial condition and results of operations of portfolio companies.

***Any potential growth in the cannabis industry continues to be subject to new and changing state and local laws and regulations.***

Continued development of the cannabis industry is dependent upon continued legislative legalization of cannabis at the state level, and a number of factors could slow or halt progress in this area, even where there is public support for legislative action. Any delay or halt in the passing or implementation of legislation legalizing cannabis use, or its cultivation, manufacturing, processing, transportation, distribution, storage and/or sale, or the re-criminalization or restriction of cannabis at the state level, could negatively impact our business and the business of our portfolio companies. Additionally, changes in applicable state and local laws or regulations, including zoning restrictions, permitting requirements and fees, could restrict the products and services our portfolio companies may offer or impose additional compliance costs on such portfolio companies. Violations of applicable laws, or allegations of such violations, could disrupt our portfolio companies' businesses and result in a material adverse effect on their operations. We cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be materially adverse to the business of our portfolio companies, as well as our business.

***Change in the laws, regulations and guidelines that impact our portfolio companies' businesses may cause adverse effects on operations.***

A cannabis products business will be subject to a variety of laws, regulations and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale, labeling and disposal of cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects on the operations of our portfolio companies, which could cause adverse effects on our business.

***Portfolio companies operating in a highly regulated business will require significant resources.***

In the event we invest in a portfolio company involved in the production, distribution or sale of cannabis products, such portfolio company will be operating in a highly regulated business. In such a case, we would expect a significant amount of such portfolio company's management's time and external resources to be used to comply with the laws, regulations and guidelines that impact their business, and changes thereto, and such compliance may place a significant burden on such management and other resources of a portfolio company.

***Differing regulatory environments may cause adverse effects on our or our portfolio companies' operations.***

A cannabis products business will be subject to a variety of laws, regulations and guidelines in each of the jurisdictions in which it operates. Complying with multiple regulatory regimes will require additional resources and may limit a portfolio company's ability to expand into certain jurisdictions, even where cannabis may be legal. For example, even if cannabis were to become legal under U.S. federal law, companies operating in the cannabis industry would have to comply with applicable state and local laws, which may vary greatly between jurisdictions, increasing costs for companies that operate in multiple jurisdictions.

***We may invest in a portfolio company that is involved in a highly regulated business and any failure or significant delay in obtaining regulatory approvals could adversely affect the ability of portfolio companies to conduct their businesses.***

In the event we invest in a portfolio company involved in the production, distribution or sale of cannabis products, achievement of such portfolio company's business objectives will be contingent, in part, upon compliance with the regulatory requirements enacted by applicable government authorities and obtaining all regulatory approvals, where necessary, for the sale of their products. We cannot predict the time required to secure all appropriate regulatory approvals for such products, additional restrictions that may be placed on our portfolio company's business or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operation and financial condition of any such portfolio company, or on our business, results of operations and financial condition.

The ability of our portfolio companies to access financing or engage in derivatives transactions may be limited because of the unwillingness or inability of certain financial institutions to transact with companies that operate in the cannabis industry.

***U.S. regulations and enforcement relating to hemp-derived CBD products are rapidly evolving.***

We may invest in a business involved in the production, distribution or sale of hemp-derived CBD products. Although the passage of the 2018 Farm Bill legalized the cultivation of hemp in the United States to produce products containing CBD and other non-THC cannabinoids, it is unclear how the FDA will respond to the approach taken by a portfolio company, or whether the FDA will propose or implement new or additional regulations. In addition, such products may be subject to regulation at the state or local levels. Unforeseen regulatory obstacles may hinder such portfolio company's ability to successfully compete in the market for such products.

***Marketing constraints under regulatory frameworks may limit a portfolio company's ability to compete for market share in a manner similar to that of companies in other industries.***

The development of a portfolio company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by regulations applicable to the cannabis industry. For example, the regulatory environment in Canada would limit a portfolio company's ability to compete for market share in a manner similar to that of companies in other industries. Additionally, Canadian regulations impose further packaging, labeling and advertising restrictions on producers in the adult-use recreational cannabis market. If a portfolio company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, its sales and operating results could be adversely affected, which could impact our business, results of operations and financial condition.

***Portfolio companies may become involved in regulatory or agency proceedings, investigations and audits.***

Businesses in the cannabis industry, and the business of the suppliers from which portfolio companies may acquire the products they may sell, require compliance with many laws and regulations. Failure to comply with these laws and regulations could subject our portfolio companies or such suppliers to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. Our portfolio companies or such suppliers may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm our reputation, the reputations of our portfolio companies or the reputations of the brands that they may sell, require the portfolio companies to take, or refrain from taking, actions that could harm their operations, or require them to pay substantial amounts of money, harming their and our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of portfolio company management's attention and resources or have a material adverse impact on their and our business, financial condition and results of operations.

***Research in the United States, Canada and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted.***

Research in the United States, Canada and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as CBD and THC) remains in relatively early stages. Historically stringent regulations related to cannabis have made conducting medical and academic studies challenging, and there have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids to date. Many statements concerning the potential medical benefits of cannabinoids are based on published articles and reports, and as a result, such statements are subject to the experimental parameters, qualifications and limitations in the studies that have been completed. In the event we invest in a portfolio company involving medical cannabis, future research and clinical trials may draw different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for their products. Such portfolio companies may be subject to liability for risks against which they cannot insure or against which they may elect not to insure due to the high cost of insurance premiums or other factors. Payment of liabilities for which such portfolio companies do not carry insurance may have a material adverse effect on their financial position and operations. The payment of any such liabilities would reduce the funds available for their normal business activities, which could affect our business, financial condition and results of operations.

***With respect to portfolio companies operating in the medical and adult-use cannabis markets, the illicit supply of cannabis and cannabis-based products may reduce such sales and impede such company's ability to succeed in such markets.***

In the event we invest in a portfolio company operating in the medical and adult-use cannabis markets, such portfolio company may face competition from unlicensed and unregulated market participants, including illegal dispensaries and black market suppliers selling cannabis and cannabis-based products.

Even with the legalization of medical and adult-use cannabis in certain jurisdictions, black market operations remain abundant and are a substantial competitor to cannabis-related businesses. In addition, illegal dispensaries and black market participants may be able to (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under applicable regulations, (ii) use delivery methods, including edibles, concentrates and extract vaporizers, that may be prohibited from being offered to individuals in such jurisdictions, (iii) brand products more explicitly, and (iv) describe/discuss intended effects of products. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in such jurisdictions, their operations may also have significantly lower costs.

As a result of the competition presented by the black market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from legal producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could (i) result in the perpetuation of the black market for cannabis, (ii) adversely affect our portfolio companies' market share and (iii) adversely impact the public perception of cannabis use and licensed cannabis producers and dealers, all of which would have a materially adverse effect on our and our portfolio companies' business, operations and financial condition.

***If recreational or medical-use consumers elect to produce cannabis for their own purposes, it could reduce the addressable market for a portfolio company's products.***

Cannabis regulations may permit the end user to produce cannabis for their own purposes. For example, under cannabis regulations in Canada, three options are available for an individual to obtain cannabis for medical purposes: (i) registering with a holder of a license to sell for medical purposes and purchasing products from that entity; (ii) register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) designate someone else to produce cannabis for them. It is possible that the ability of an end user to produce cannabis for their own purposes, such as under (ii) and (iii) above, could significantly reduce the addressable market for a portfolio company's products and could materially and adversely affect the business, financial condition and results of operations of a portfolio company, which in turn, could adversely affect our business, financial condition and results of operations.

***The cannabis industry faces significant opposition, and any negative trends may adversely affect the business operations of our portfolio companies.***

If we invest in portfolio companies in the cannabis industry, we will be substantially dependent on the continued market acceptance, and the proliferation of consumers, of cannabis. We believe that with further legalization, cannabis will become more accepted, resulting in growth in consumer demand. However, we cannot predict the future growth rate or future market potential, and any negative outlook on the cannabis industry may adversely affect our business operations and the operations of our portfolio companies.

Large, well-funded industries that perceive cannabis products and services as competitive with their own, including but not limited to the pharmaceutical industry, adult beverage industry and tobacco industry, all of which have powerful lobbying and financial resources, may have strong economic reasons to oppose the development of the cannabis industry. For example, should cannabis displace other drugs or products, the medical cannabis industry could face a material threat from the pharmaceutical industry, which is well-funded and possesses a strong and experienced lobby. Any inroads the pharmaceutical, or any other potentially displaced, industry or sector could make in halting or impeding the cannabis industry could have a detrimental impact on our business and the business of our portfolio companies.

***Competition from synthetic products may adversely affect the business, financial condition or results of operations of a portfolio company.***

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products which emulate the effects of cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of a portfolio company to secure long-term profitability and success through the sustainable and profitable operation of the anticipated businesses and investment targets, and could have a material adverse effect on a portfolio company's business, financial condition or results of operations, which in turn, could adversely affect our business, financial condition and results of operations.

***An initial surge in demand for cannabis may result in supply shortages in the short term, while in the longer term, supply of cannabis could exceed demand, which may cause a fluctuation in revenue.***

Changes in the legal status of cannabis may result in an initial surge in demand. As a result of such initial surge, cannabis companies operating under such changed legal regime may not be able to produce enough cannabis to meet demand of the adult-use recreational and medical markets, as applicable. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply.

However, in the future, cannabis producers may produce more cannabis than is needed to satisfy the collective demand of the adult-use recreational and medical markets, as applicable, and they may be unable to export that oversupply into other markets where cannabis use is fully legal under all applicable jurisdictional laws. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations were to occur, companies operating in the cannabis industry may see revenue and profitability fluctuate materially and their business, financial condition, results of operations and prospects may be adversely affected, as could our business, financial condition and results of operations.

***Consumer preferences may change, and the portfolio company may be unsuccessful in acquiring or retaining consumers and keeping pace with changing market developments.***

As a result of changing consumer preferences, many consumer products attain financial success for a limited period of time. Even if a portfolio company's products find success at retail, there can be no assurance that such products will continue to be profitable. A portfolio company's success will be significantly dependent upon its ability to develop new and improved product lines and adapt to consumer preferences. Even if a portfolio company is successful in introducing new products or developing its current products, a failure to gain consumer acceptance or to update products could cause a decline in the products' popularity and impair the brands. In addition, a portfolio company may be required to invest significant capital in the creation of new product lines, strains, brands, marketing campaigns, packaging and other product features, none of which are guaranteed to be successful. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the portfolio company being unable to satisfy consumer preferences and generate revenue.

A portfolio company's success depends on its ability to attract and retain consumers. There are many factors which could impact its ability to attract and retain consumers, including its ability to continually produce desirable and effective products, the successful implementation of its consumer acquisition plan and the continued growth in the aggregate number of potential consumers. A portfolio company may not be successful in developing effective and safe new products, anticipating shifts in social trends and consumer demands, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals. A portfolio company's failure to acquire and retain consumers could have a material adverse effect on the business of the portfolio company and us.

In addition, the patterns of cannabis consumption may shift over time due to a variety of factors, including changes in demographics, social trends, public health policies and other leisure or consumption behaviors. If consumer preferences for a portfolio company's products or cannabis products in general do not develop, or if once developed, they were to move away from its products or cannabis products in general, or if a portfolio company is unable to anticipate and respond effectively to shifts in consumer behaviors, it may be adversely affected.

***The cannabis industry is highly competitive and evolving.***

The market for businesses in the cannabis industry is highly competitive and evolving. There may be no material aspect of our portfolio companies' businesses that is protected by patents, copyrights, trademarks or trade names, and they may face strong competition from larger companies, including those that may offer similar products and services to our portfolio companies.

Potential competitors may have longer operating histories, significantly greater financial, marketing or other resources, and larger client bases than our portfolio companies, and there can be no assurance that they will be able to successfully compete against these or other competitors. Additionally, because the cannabis industry is at an early stage, a portfolio company may face additional competition from new entrants, including as a result of an increased number of licenses granted under any applicable regulatory regime.

If the number of users of medical cannabis increases, and/or if the national demand for recreational cannabis increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, a portfolio company may require a continued high level of investment in research and development, marketing, sales and client support. However, a portfolio company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of such portfolio company, as well as our business, financial condition and results of operations. Additionally, as new technologies related to the cultivation, processing, manufacturing, and research and development of cannabis are being explored, there is potential for third-party competitors to be in possession of superior technology that would reduce any relative competitiveness a portfolio company may have.

As the legal landscape for cannabis continues to evolve, it is possible that the cannabis industry will undergo consolidation, creating larger companies with greater financial resources, manufacturing and marketing capabilities, and product offerings. Given the rapid changes affecting the global, national and regional economies generally, and the cannabis industry in particular, our portfolio companies may not be able to create and maintain a competitive advantage in the marketplace.

The success of any such portfolio company will depend on its ability to keep pace with any changes in such markets, particularly legal and regulatory changes. For example, it is likely that a portfolio company, and its competitors, will seek to introduce new products in the future. The success of such portfolio companies will also depend on their ability to respond to, among other things, changes in the economy, market conditions and competitive pressures. Any failure by them to anticipate or respond adequately to such changes could have a material adverse effect on the financial condition and results of operations of us and our portfolio companies.

***The technologies, process and formulations a portfolio company uses may face competition or become obsolete.***

Many businesses in the cannabis industry face rapidly changing markets, technology, emerging industry standards and frequent introduction of new products. The introduction of new products embodying new technologies, including new manufacturing processes or formulations, and the emergence of new industry standards may render a portfolio company's products obsolete, less competitive or less marketable. The process of developing their products is complex and requires significant continuing costs, development efforts and third-party commitments, including licensees, researchers, collaborators and lenders. A portfolio company's failure to develop new technologies and products and the obsolescence of existing technologies or processes could adversely affect its and our business, financial condition and results of operations. A portfolio company may be unable to anticipate changes in its customer requirements that could make its existing technology, processes or formulations obsolete. Its success will depend in part on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of its proprietary technology, processes and formulations may entail significant technical and business risks. A portfolio company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its business to evolving customer or medical requirements or preferences or emerging industry standards.

***There is uncertainty in pricing and demand for cannabis-based products.***

The anticipated pricing of cannabis products may differ substantially from current levels given changes in the competitive and regulatory landscape. A portfolio company's business model may be susceptible to erosion of profitability should cannabis and cannabis-related products experience secular pricing changes. Potential sources of pricing changes include overproduction, regulatory action, increased competition or the emergence of new competitors. Additionally, even if pricing of the broader cannabis and cannabis-related product market is sustained, there is no guarantee that a portfolio company will be successful in creating and maintaining consumer demand and estimated pricing levels. To do this, the portfolio company may be dependent upon, among other things, continually producing desirable and effective cannabis and cannabis-related products and the continued growth in the aggregate number of cannabis consumers. Campaigns designed to enhance a portfolio company's brand and attract consumers, subject to restrictions imposed by law, can be expensive and may not result in increased sales. If the portfolio company is unable to attract new consumers, it may not be able to increase its sales.

***A portfolio company may have difficulty in forecasting sales and other business metrics.***

A portfolio company may rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. If the portfolio company underestimates the demand for its products, it may not be able to produce products that meet its stringent requirements, and this could result in delays in the shipment of products and failure to satisfy demand, as well as damage to reputation and partner relationships. If the portfolio company overestimates the demand for its products, it could face inventory levels in excess of demand, which could result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would harm the portfolio company's gross margins and brand management efforts, which could impact our business, results of operations and financial condition.

Due to the nascent nature of the market, it could be difficult for the portfolio company to forecast demand. In particular, it could be difficult to forecast the rate of the illicit cannabis market crossing over to the legal market. If the market does not develop as the portfolio company expects, it could have a material adverse effect on its business, results of operations and financial condition, which could in turn have an adverse effect on our business, results of operations and financial condition. In addition to inherent risks and difficulties forecasting sales, anticipated costs and yields are also challenging to predict with certainty as the cannabis industry is in its relative infancy and rapidly evolving. If portfolio companies make capital investments based on flawed sales, costs and yields forecasts, the portfolio company may not achieve its expected, or any, return on invested capital. Failure to realize forecasted sales, costs and yields could have a material adverse effect on the portfolio company's business, results of operations and financial condition, as well as our business, results of operations and financial condition.

***Portfolio companies may have difficulty borrowing from or otherwise accessing the service of banks, which may make it difficult to sell products and services.***

Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, the unlicensed money transmitter statute and the U.S. Bank Secrecy Act. Guidance issued by the Financial Crimes Enforcement Network ("FinCEN"), a division of the U.S. Department of the Treasury (the "FinCEN Memo"), clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Despite the rescission of memoranda that had de-prioritized the enforcement of federal law against marijuana users and businesses that comply with state marijuana laws, FinCEN has not rescinded the FinCEN Memo. While this memo appears to be a standalone document and is presumptively still in effect, FinCEN could elect to rescind the FinCEN Memo at any time. Banks remain hesitant to offer banking services to cannabis-related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty in establishing banking relationships. The inability of portfolio companies to maintain bank accounts would make it difficult for them to operate their business, would increase their operating costs and pose additional operational, logistical and security challenges, and could result in their inability to implement their business plan.

***The development and operation of businesses in the cannabis industry may require additional financing, which may not be available on favorable terms, if at all.***

Due to the growth in the cannabis industry, the continued development and operation of businesses in the cannabis industry may require additional financing. The failure of portfolio companies to raise such capital could result in the delay or indefinite postponement of current business objectives or the cessation of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable.

***Portfolio companies may be subject to product liability claims.***

If we invest in a portfolio company operating as a manufacturer and distributor of products utilizing cannabis for human consumption, such portfolio companies will face an inherent risk of exposure to product liability claims, regulatory action and litigation if their products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third-parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. Our portfolio companies may be subject to various product liability claims, including, among others, that the products they produced caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against a portfolio company could result in increased costs, could adversely affect its reputation with its clients and consumers generally, and could have a material adverse effect on its results of operations and financial condition, which in turn could adversely affect our results of operations and financial condition. There can be no assurances that a portfolio company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

***Portfolio companies may not be able to obtain adequate insurance coverage in respect of the risks such business faces, the premiums for such insurance may not continue to be commercially justifiable or there may be coverage limitations and other exclusions which may result in such insurance not being sufficient to cover potential liabilities that they face.***

Although we expect our portfolio companies to have insurance coverage with respect to the assets and operations of their businesses, such insurance coverage will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which they are exposed. In addition, no assurance can be given that such insurance will be adequate to cover their liabilities, including potential product liability claims, or will be generally available in the future or, if available, that premiums will be commercially justifiable. If a portfolio company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, such portfolio company may be exposed to material uninsured liabilities that could impede such company's liquidity, profitability or solvency, potentially impacting our results of operations and financial condition.

***Due to our involvement in the regulated cannabis industry, we and our borrowers may 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. There are no guarantees that we or our borrowers will be able to find such insurance now or in the future, or that such insurance will be available on economically viable terms. If we or our borrowers are forced to go without such insurance, it 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, portfolio companies or the cannabis industry more generally may receive unfavorable publicity or become subject to negative consumer or investor perception.***

We believe that the cannabis industry is highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis distributed to consumers. The perception of the cannabis industry and cannabis products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in the United States and in other countries, including Canada, relating to the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to cannabis products or the activities of industry participants. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favorable to the cannabis market or any particular cannabis product or will be consistent with earlier publicity. Adverse future scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for the cannabis products of a portfolio company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis, or the products of a portfolio company specifically, or associating the consumption of cannabis with illness or other negative effects or events, could adversely affect such portfolio company. This adverse publicity could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to use such products legally, appropriately or as directed.

***Third-parties with whom we do business may perceive themselves as being exposed to reputational risk by virtue of their relationship with us and may ultimately elect not to do business with us.***

If we invest in a portfolio company in the cannabis industry, the parties with which we do business may perceive that they are exposed to reputational risk as a result of our investment in a cannabis business. Failure to establish or maintain business relationships could have a material adverse effect on us.

***Our reputation and ability to do business, as well as the reputation of our portfolio companies and their ability to do business, may be negatively impacted by the improper conduct of business partners, employees or agents.***

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We cannot provide assurance that the internal controls and compliance systems of our portfolio companies will always protect us from acts committed by such companies' employees, agents or business partners in violation of applicable laws and regulations in the jurisdictions in which they conduct operations, including those applicable to businesses in the cannabis industry. Any improper acts or allegations could damage our reputation, the reputation of our portfolio companies and subject us and our portfolio companies to civil or criminal investigations and related shareholder lawsuits, could lead to substantial civil and criminal monetary and non-monetary penalties, and could cause us or our portfolio companies to incur significant legal and investigatory fees.

***Portfolio companies may be subject to regulatory, legal or reputational risk associated with potential misuse of their products by their customers.***

We cannot provide assurance that a portfolio company's customers will always use its products in the manner in which they intend. Any misuse of their products by their customers could lead to substantial civil and criminal monetary and non-monetary penalties, and could cause them to incur significant legal and investigatory fees.

***A portfolio company may not succeed in promoting and sustaining its brands, which could have an adverse effect on its future growth and business.***

A critical component of a portfolio company's future growth is its ability to promote and sustain its brands, often achieved by providing a high-quality user experience. An important element of a portfolio company's brand promotion strategy is establishing a relationship of trust with its consumers. In order to provide a high-quality user experience, a portfolio company may need to have invested and continue to invest substantial resources in the development of products, infrastructure, fulfillment and customer service operations. Campaigns designed to enhance a portfolio company's brand and attract consumers, subject to restrictions imposed by law, can be expensive and may not result in increased sales. If a portfolio company is unable to attract new customers or its consumers are dissatisfied with the quality of the products sold to them or the customer service they receive and their overall customer experience, it could see a decrease in sales, which could have a material adverse effect on the portfolio company's business, financial condition and results of operations, which in turn, could have an adverse effect on our business, financial condition and results of operations.

***Certain events or developments in the cannabis industry more generally may impact our reputation or the reputation of our portfolio companies.***

Damage to our reputation or the reputation of our portfolio companies can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. If we invest in a portfolio company in the cannabis industry, because cannabis has been commonly associated with various other narcotics, violence and criminal activities, there is a risk that such business might attract negative publicity. There is also a risk that the actions of other companies, service providers and customers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation or the reputation of our portfolio companies. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regards to our and our portfolio companies' activities and the cannabis industry in general, whether true or not.

We do not ultimately have direct control over how we or the cannabis industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our business strategy and realize our investments.

***The cannabis industry is subject to the risks inherent in an agricultural business, including the risk of crop failure.***

The growing of cannabis is an agricultural process. As such, a portfolio company with operations in the cannabis industry is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, plant diseases and similar agricultural risks.

Although some cannabis production is conducted indoors under climate controlled conditions, cannabis continues to be grown outdoors and there can be no assurance that artificial or natural elements, such as insects and plant diseases, will not entirely interrupt production activities or have an adverse effect on the production of cannabis and, accordingly, the operations of a portfolio company, which could have an adverse effect on our business, financial condition and results of operations.

***The cannabis industry is subject to transportation disruptions, including those related to an agricultural product.***

As a business revolving mainly around the growth of an agricultural product, the ability to obtain speedy, cost-effective and efficient transport services will be essential to the prolonged operations of a portfolio company's business. Should such transportation become unavailable for prolonged periods of time, it could have a material adverse effect on the portfolio company's business, financial condition and results of operations, which could also have an adverse effect on our business, financial condition and results of operations.

Due to the nature of a portfolio company's products, security of the product during transportation to and from its facilities may be important. A breach of security during transport or delivery could have a material adverse effect on a portfolio company's business, financial condition and results of operations, which could also have an adverse effect on our business, financial condition and results of operations. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of regulatory authorities, could also have an impact on the portfolio company's ability to continue operating under its license or the prospect of renewing its licenses.

***Many cannabis businesses are subject to significant environmental regulations and risks.***

Participants in the cannabis industry are subject to various environmental regulations in the jurisdictions in which they operate. These regulations may mandate, among other things, the maintenance of air and water quality standards and land reclamation. These regulations may also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect a portfolio company.

***Many cannabis businesses are dependent on key personnel with sufficient experience in the cannabis industry.***

The success of businesses in the cannabis industry is largely dependent on the performance of their respective management teams and key employees and their continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and significant costs may be incurred to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent a business from executing on its business plan and strategy, and the business may be unable to find adequate replacements on a timely basis, or at all.

***There are a limited number of management teams in the cannabis industry that are familiar with U.S. securities laws.***

There are a limited number of management teams in the cannabis industry that have U.S. public company experience. As a result, management of a portfolio company, including any key personnel that it hires in the future, may not be familiar with U.S. securities laws. If such management team is unfamiliar with U.S. securities laws, they may have to expend time and resources becoming familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

***It may be difficult to continuously maintain and retain a competitive talent pool with public company standards.***

As we grow, our Adviser may need to hire additional human resources to continue to develop our business. However, experienced talent, including senior management, with public company background in the areas of cannabis research and development, growing cannabis and extraction are difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable.

Without adequate personnel and expertise, the growth of our business may suffer. There can be no assurance that our Adviser will be able to identify, attract, hire and retain qualified personnel and expertise in the future, and any failure to do so could have a material adverse effect on our business, financial condition or results of operations.

***A portfolio company may be dependent on skilled labor and suppliers.***

The ability of a portfolio company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that a portfolio company will be successful in maintaining its required supply of skilled labor, equipment, parts and components. Qualified individuals are in high demand, and the portfolio company may incur significant costs to attract and retain them. It is also possible that the final costs of the major equipment and materials, including packaging materials, contemplated by the portfolio company's capital expenditure program may be significantly greater than anticipated by the portfolio company's management, and may be greater than funds available to the portfolio company, in which circumstance the portfolio company may curtail, or extend the time frames for completing, its capital expenditure plans. This could have a material adverse effect on the portfolio company's business, financial condition and results of operations, which could also have an adverse effect on our business, financial condition and results of operations.

***Fraudulent or illegal activity by employees, contractors and consultants may adversely affect our portfolio companies' business, financial condition or results of operations.***

A portfolio company may be exposed to the risk that any of its employees, independent contractors or consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities that violate (i) government regulations, (ii) manufacturing standards, (iii) federal, state and provincial healthcare fraud and abuse laws and regulations, or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the portfolio company to identify and deter misconduct by its employees and other third-parties, and the precautions taken by the portfolio company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the portfolio company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the portfolio company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business of the portfolio company, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the operations of the portfolio company, any of which could have a material adverse effect on the portfolio company's business, financial condition and results of operations, as well as our business, financial condition and results of operations.

***A portfolio company may be reliant on key inputs and may not be able to realize its cannabis production or capacity targets. The price of production of cannabis will also vary based on a number of factors outside of our portfolio companies' control.***

A portfolio company's ability to produce and process cannabis, and the price of production, may be affected by a number of factors, including available space, raw materials, plant design errors, non-performance by third-party contractors, increases in materials or labor costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, processing bottlenecks, aging or failure of equipment or processes, labor disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of a portfolio company. Some of these inputs may only be available from a single supplier or a limited group of suppliers, including access to the electricity grid. If a sole source supplier was to go out of business, the portfolio company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the portfolio company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations and prospects of such businesses, as well as an adverse impact on our business, financial condition and results of operations.

In addition, the price of production, sale and distribution of cannabis will fluctuate widely due to, among other factors, how young the cannabis industry is and the impact of numerous factors beyond the control of such businesses, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods.

***A portfolio company may be vulnerable to rising energy costs.***

Cannabis growing operations consume considerable energy, which makes a portfolio company vulnerable to rising energy costs and/or the availability of stable energy sources. Accordingly, rising or volatile energy costs or the inability to access stable energy sources may have a material adverse effect on the portfolio company's business, financial condition and results of operations, which could also adversely affect our business, financial condition and results of operations.

***There may be a lack of access to U.S. bankruptcy protections for portfolio companies.***

Because cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If a portfolio company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available, which could have a material adverse effect on the financial condition and prospects of such business and on our rights as lenders and security holders.

#### **Risks Relating to Our Common Stock**

##### *Shares of closed-end investment companies, including BDCs, may trade at a discount to their NAV.*

Shares of closed-end investment companies, including BDCs, may trade at a discount to their NAV. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common stock will trade at, above or below NAV.

##### *Investing in our common stock may involve an above-average degree of risk.*

The investments we intend to make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

##### *The market price of our common stock may fluctuate significantly.*

The market price and liquidity of the expected market for shares of 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. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- inability to obtain any exemptive relief that may be required by us from the SEC, if any;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs and BDCs;
- loss of our BDC or RIC status;
- changes in earnings or variations in operating results or distributions that exceed our net investment income;
- increases in expenses associated with defense of litigation and responding to SEC inquiries;
- changes in accounting guidelines governing valuation of our investments;
- changes in the value of our portfolio of investments and any derivative instruments, including as a result of general economic conditions, interest rate shifts and changes in the performance of our portfolio companies;
- any shortfall in investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;
- sales of our common stock by the Adviser or CALP;
- departure of our Adviser's key personnel; and
- general economic trends and other external factors.

If our common stock trades below its NAV, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors for such issuance.

***Sales of substantial amounts of our common stock in the public market, including by the Adviser or CALP, may have an adverse effect on the market price of our common stock.***

The Adviser was the seed investor of the Company and provided initial funding to the Company by purchasing approximately 4.5 million shares of our common stock in our initial public offering. The Adviser provided this “seed capital” to the Company for the purpose of facilitating the launch and initial operation of the Company, as opposed to for long term investment purposes. In addition, CALP purchased approximately 16.6 million shares of our common stock in connection with the Loan Portfolio Acquisition with the intention of distributing such shares of our common stock to CALP’s members within six months of the Loan Portfolio Acquisition. The Adviser and CALP do not expect to hold our common stock indefinitely, and may sell our common stock, or distribute our common stock to their members (who may, in turn, sell our common stock subject to certain holding period requirements), at a future point in time. In order for the Adviser’s or CALP’s sales of the shares of the Company not to be deemed to have been made “on the basis of” material nonpublic information, such sales may be made pursuant to a pre-approved trading plan that complies with Rule 10b5-1 under the Exchange Act and that may obligate the Adviser or CALP to make recurring sales of our common stock on a periodic basis. Sales of substantial amounts of our common stock, including by the Adviser, CALP, their members or other large stockholders, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues for a sustained period of time, it could impair our ability to raise additional capital through the sale of securities, should we desire to do so.

***The Adviser and CALP have significant influence over us, including having an approximately 80% vote for matters that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.***

The Adviser and CALP collectively hold approximately 80% of our voting stock and have the ability to exercise substantial control over all corporate actions requiring stockholder approval, including the election and removal of directors, certain amendments of our charter, our ability to issue our common stock at a price below NAV per share, and the approval of any merger or other extraordinary corporate action.

***Certain provisions of our charter and bylaws and actions of our Board of Directors could deter takeover attempts and have an adverse impact on the value of shares of our common stock.***

Our charter, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third-party from attempting to acquire us. Our Board of Directors is divided into three classes of directors serving staggered three-year terms. Our Board of Directors may, without stockholder action, authorize the issuance of shares in one or more classes or series, including shares of preferred stock; and our Board of Directors may, without stockholder action, amend our charter to increase the number of shares of our common stock, of any class or series, that we will have authority to issue. These anti-takeover provisions may inhibit a change of control in circumstances that could give the holders of shares of our common stock the opportunity to realize a premium over the value of shares of our common stock.

***Our common stockholders will bear the expenses associated with our borrowings, and the holders of our debt securities will have certain rights senior to our common stockholders.***

If in the future we issue debt securities, all of the costs of offering and servicing such debt, including interest thereon, will be borne by our common stockholders. The interests of the holders of any debt we may issue will not necessarily be aligned with the interests of our common stockholders. In particular, the rights of holders of our debt to receive interest or principal repayment will be senior to those of our common stockholders. In addition, we may grant a lender a security interest in a significant portion or all of our assets, even if the total amount we may borrow from such lender is less than the amount of such lender’s security interest in our assets.

***Stockholders may incur dilution if we issue securities to subscribe to, convert to or purchase shares of our common stock.***

The 1940 Act prohibits us from selling shares of our common stock at a price below the current NAV per share of such stock with certain exceptions. One such exception is prior stockholder approval of issuances of securities to subscribe to, convert to or purchase shares of our common stock even if the subscription, conversion or purchase price per share of our common stock is below the NAV per share of our common stock at the time of any such subscription, conversion or purchase. Any decision to sell securities to subscribe to, convert to or purchase shares of our common stock will be subject to the determination by our Board of Directors that such issuance is in our and our stockholders’ best interests. If we issue securities to subscribe to, convert to or purchase shares of common stock, the exercise or conversion of such securities would increase the number of outstanding shares of our common stock. Any such exercise or conversion would be dilutive on the voting power of existing stockholders, and could be dilutive with regard to distributions and our NAV, and other economic aspects of the common stock.

*Members of our management team and our board of directors and affiliated companies have been, and may from time to time be, involved in legal proceedings or governmental investigations unrelated to our business.*

Members of our management team and our board of directors have been involved in a wide variety of businesses. Such involvement has, and may lead to, media coverage and public awareness. As a result of such involvement, members of our management team and our board of directors and affiliated companies have been, and may from time to time be, involved in legal proceedings or governmental investigations unrelated to our business. Any such proceedings or investigations may be detrimental to our reputation and could negatively affect our ability to operate our business and may have an adverse effect on the price of our common stock.

#### **Risks Relating to the Loan Portfolio Acquisition**

*Sales of shares of our common stock after the completion of the Loan Portfolio Acquisition may cause the market price of our common stock to decline.*

CALP purchased approximately 16.6 million shares of our common stock in connection with the Loan Portfolio Acquisition with the intention of distributing such shares of our common stock to CALP's members within six months of the Loan Portfolio Acquisition. CALP does not expect to hold our common stock indefinitely, and may sell our common stock, or distribute our common stock to its members (who may, in turn, sell our common stock subject to certain holding period requirements), at a future point in time. Sales of substantial amounts of our common stock, including by CALP, its members or other large stockholders, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues for a sustained period of time, it could impair our ability to raise additional capital through the sale of securities, should we desire to do so.

*We may be unable to realize the benefits anticipated by the Loan Portfolio Acquisition, including estimated cost savings, or it may take longer than anticipated to achieve such benefits.*

The realization of certain benefits anticipated as a result of the Loan Portfolio Acquisition will depend in part on the integration of the Loan Portfolio with our investment portfolio. There can be no assurance that the Loan Portfolio can be integrated successfully into our operations in a timely fashion or at all. The dedication of management resources to such integration may detract attention from our day-to-day business and there can be no assurance that there will not be substantial costs associated with the transition process or there will not be other material adverse effects as a result of these integration efforts. Such effects, including, but not limited to, incurring unexpected costs or delays in connection with such integration and failure of the Loan Portfolio to perform as expected, could have a material adverse effect on our financial results.

We also expect to achieve certain cost savings from the Loan Portfolio Acquisition. It is possible that the estimates of the potential cost savings could ultimately be incorrect. The cost savings estimates also assume we will be able to integrate the Loan Portfolio with our investment portfolio in a manner that permits those cost savings to be fully realized. If the estimates turn out to be incorrect or if we are not able to successfully combine the Loan Portfolio with our investment portfolio, the anticipated cost savings may not be fully realized or realized at all or may take longer to realize than expected.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 1C. Cybersecurity**

##### *Cybersecurity Program Overview*

As part of our overall risk management processes and procedures, we have instituted a cybersecurity program designed to identify, assess, and manage material risks from cybersecurity threats. The cyber risk management program involves risk assessments, implementation of security measures, and ongoing monitoring of systems and networks, including networks on which we rely. Through our cybersecurity program, the current threat landscape is actively monitored in an effort to identify material risks arising from new and evolving cybersecurity threats. We may engage external experts, including cybersecurity assessors, consultants, and auditors to evaluate cybersecurity measures and risk management processes, as needed. We also depend on and engage various third parties, including suppliers, vendors, and service providers in connection with our operations. Our risk management, legal, and compliance personnel identify and oversee material risks from cybersecurity threats associated with our use of such entities.

**Board Oversight of Cybersecurity Risks**

Our Board provides strategic oversight on cybersecurity matters, including material risks associated with cybersecurity threats. Our Board receives periodic updates from our Chief Compliance Officer regarding the overall state of our cybersecurity program, information on the current threat landscape, and material risks from cybersecurity threats and cybersecurity incidents.

**Management's Role in Cybersecurity Risk Management**

Our management team, including our Chief Compliance Officer, is responsible for assessing and managing material risks from cybersecurity threats. Members of our management team possess relevant expertise in various disciplines that are key to effectively managing such risks, such as operations management, information technology management, oversight of third-party service providers and managing relationships with outside cybersecurity experts. Our management team is informed about and monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents, including through the receipt of notifications from third-party service providers and reliance on communications with our risk management, legal, and/or compliance personnel.

**Assessment of Cybersecurity Risk**

The potential impact of risks from cybersecurity threats are assessed on an ongoing basis, and how such risks could materially affect our business strategy, operational results, and financial condition are regularly evaluated. During the reporting period, we have not identified any risks from cybersecurity threats, including as a result of previous cybersecurity incidents, that we believe have materially affected, or are reasonably likely to materially affect, us, including our business strategy, operational results, and financial condition.

**Item 2. Properties**

We do not own any real estate or other physical properties materially important to our operations. We utilize office space that is leased by our affiliates for our principal executive office at 600 Madison Avenue, Suite 1800, New York, NY 10022. We believe that our office facilities are suitable and adequate for our business as presently conducted.

**Item 3. Legal Proceedings**

We are not currently subject to any material legal proceedings, nor, to our knowledge, are any material legal proceedings threatened against us. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. Furthermore, third parties may seek to impose liability on us in connection with the activities of our portfolio companies. Our business is also subject to extensive regulation, which may result in regulatory proceedings against us. While the outcome of any future legal or regulatory proceedings cannot be predicted with certainty, we do not expect that any such future 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****Common Stock**

Our common stock began trading on the Nasdaq Global Market on February 4, 2022 in connection with our IPO of shares of our common stock. Since October 2, 2024, our common stock trades on the Nasdaq Global Market under the symbol "LIEN."

The following table lists the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock reported on the Nasdaq Global Market, the closing sale prices as a premium (or discount) to our net asset value per share and dividends per share for each fiscal quarter since our common stock began trading on the Nasdaq Global Market.

CHICAGO ATLANTIC BDC, INC.

On March 28, 2025, the last reported closing sales price of our common stock on the Nasdaq Global Market was \$11.44 per share, which represented a discount of approximately 13.3% to our net asset value per share of \$13.20 as of December 31, 2024.

Class and Period	Net Asset Value <sup>(1)</sup>	Price Range		High Sales Price Premium (Discount) to Net Asset Value <sup>(2)</sup>	Low Sales Price Premium (Discount) to Net Asset Value <sup>(2)</sup>	Cash Dividend Per Share <sup>(3)</sup>
		High	Low			
<b>Year Ended December 31, 2025</b>						
First Quarter (Through March 28, 2025)	*	\$	12.56	\$	10.92	* \$ 0.34 <sup>(6)</sup>
<b>Year Ended December 31, 2024</b>						
Fourth Quarter	\$ 13.20	\$	13.24	\$	10.74	0.3%
Third Quarter	\$ 13.28	\$	12.00	\$	10.64	-9.6%
Second Quarter	\$ 13.56	\$	12.38	\$	9.61	-8.7%
First Quarter	\$ 13.60	\$	10.28	\$	7.65	-24.4%
<b>Year Ended December 31, 2023</b>						
Fourth Quarter	\$ 13.77	\$	9.81	\$	8.32	-28.8%
Third Quarter	\$ 14.06	\$	10.37	\$	7.65	-26.3%
Second Quarter	\$ 14.49	\$	9.19	\$	7.82	-36.3%
First Quarter	\$ 14.29	\$	9.98	\$	8.25	-30.2%
<b>Year Ended December 31, 2022<sup>(4)</sup></b>						
Fourth Quarter	\$ 13.91	\$	10.55	\$	9.57	-24.2%
Third Quarter	\$ 13.73	\$	10.74	\$	9.00	-21.8%
Second Quarter	\$ 13.64	\$	13.50	\$	7.80	-1.0%
First Quarter <sup>(5)</sup>	\$ 13.61	\$	14.41	\$	12.57	5.9%

- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.
  - (2) Calculated as the respective high or low closing sales price less net asset value, divided by net asset value (in each case, as of the end of the applicable quarter).
  - (3) Represents the dividend or distribution declared in the relevant quarter.
  - (4) On November 8, 2022, our Board of Directors approved a change to our fiscal year end from March 31 to December 31.
  - (5) Shares of our common stock began trading on the Nasdaq Global Market on February 4, 2022. Since October 2, 2024, our common stock trades on the Nasdaq Global Market under the symbol "LIEN."
  - (6) The dividend is payable on April 11, 2025 to stockholders of record on March 28, 2025.
  - (7) Consists of a quarterly dividend and a special dividend.
- \* Not determined at time of filing.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. At times, our shares of common stock have traded at prices both above and below our net asset value per share. The possibility that our shares of common stock will trade at a discount from net asset value per share or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below net asset value per share.

**Holders**

As of March 28, 2025, there were approximately 9 holders of record of our common stock, which does not include stockholders for whom shares are held in "nominee" or "street name."

**Distributions**

To the extent that we have income available, we intend to make quarterly distributions to our stockholders beginning after our first full year of operations. The amount of our distributions, if any, will be determined by our Board of Directors.

We have elected to be treated, and intend to qualify annually to be treated, as a RIC under Subchapter M of the Code, for U.S. federal income tax purposes, commencing with our taxable year ended March 31, 2022. As long as we qualify as a RIC, we will not be taxed on our investment company taxable income or realized net capital gains, to the extent that such taxable income or gains are distributed, or deemed to be distributed, to stockholders on a timely basis.

CHICAGO ATLANTIC BDC, INC.

To obtain and maintain RIC tax treatment, we must distribute (or be deemed to distribute) at least 90% of the sum of our: investment company taxable income (which is generally our ordinary income plus the excess of realized short-term capital gains over realized net long-term capital losses), determined without regard to the deduction for dividends paid, for such taxable year; and net tax-exempt interest income (which is the excess of our gross tax-exempt interest income over certain disallowed deductions) for such taxable year.

As a RIC, we (but not our stockholders) generally will not be subject to U.S. federal tax on investment company taxable income and net capital gains that we distribute to our stockholders. The discussion below assumes that we will qualify to be treated as a RIC for U.S. federal tax purposes each year.

We intend to distribute annually all or substantially all of such income. To the extent that we retain our net capital gains or any investment company taxable income, we generally will be subject to corporate-level U.S. federal income tax. We can be expected to carry forward our net capital gains or any investment company taxable income in excess of current-year dividend distributions, and pay the U.S. federal excise tax as described below.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current-year distributions into the next tax year. We will be subject to a 4% excise tax on a certain portion of these undistributed amounts. Please refer to "Item 1. Business — Material U.S. Federal Income Tax Considerations" for further information regarding the consequences of our retention of net capital gains. We may, in the future, make actual distributions to our stockholders of our net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See "Item 1. Business — Business Development Company Regulations" and "Item 1. Business — Material U.S. Federal Income Tax Considerations."

While we intend to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% U.S. federal excise tax, sufficient amounts of our taxable income and capital gains may not be distributed and as a result, in such cases, the excise tax will be imposed. In such an event, we will be liable for this tax only on the amount by which we do not meet the foregoing distribution requirement.

We intend to pay quarterly distributions to our stockholders out of assets legally available for distribution. All distributions will be paid at the discretion of our Board of Directors and will depend on our earnings, financial condition, maintenance of our tax treatment as a RIC, compliance with applicable BDC regulations and such other factors as our Board of Directors may deem relevant from time to time.

To the extent our current taxable earnings for a year fall below the total amount of our distributions for that year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read written disclosure carefully and should not assume that the source of any distribution is our ordinary income or gains.

A return of capital is a return of a portion of your original investment in shares of our common stock. As a result, a return of capital will (i) lower your tax basis in your shares and thereby increase the amount of capital gain (or decrease the amount of capital loss) realized upon a subsequent sale or redemption of such shares and (ii) reduce the amount of funds we have for investment in portfolio companies. We have not established any limit on the extent to which we may use offering proceeds to fund distributions. However, our Board of Directors, including a majority of our independent directors, will be required to determine that making return of capital distributions from our offering proceeds is in the best interests of our stockholders based upon our then-current financial condition and our expected future growth prospects.

CHICAGO ATLANTIC BDC, INC.

The following table summarizes distributions declared and/or paid by the Company from inception through December 31, 2024:

Declaration Date	Type	Record Date	Payment Date	Per Share Amount	Dividends Paid
August 10, 2023	Quarterly	September 15, 2023	September 29, 2023	\$ 0.23	\$ 1,429,375
August 10, 2023	Special	September 15, 2023	September 29, 2023	\$ 0.40	\$ 2,485,869
November 9, 2023	Quarterly	December 20, 2023	December 29, 2023	\$ 0.25	\$ 1,553,676
November 9, 2023	Special	December 20, 2023	December 29, 2023	\$ 0.45	\$ 2,796,617
March 8, 2024	Quarterly	March 20, 2024	March 28, 2024	\$ 0.25	\$ 1,553,736
May 9, 2024	Quarterly	June 20, 2024	June 28, 2024	\$ 0.25	\$ 1,553,738
August 8, 2024	Quarterly	September 19, 2024	September 27, 2024	\$ 0.25	\$ 1,553,741
December 9, 2024	Quarterly	December 19, 2024	December 27, 2024	\$ 0.34	\$ 7,758,925

**Dividend Reinvestment Plan**

We have adopted an “opt out” dividend reinvestment plan (the “DRIP”) for our stockholders. As a result, if we declare a dividend, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of shares of our common stock generally are subject to the same U.S. federal income tax consequences as are stockholders who elect to receive their distributions in cash.

During the year ended December 31, 2024, the Company issued the following shares of common stock under the DRIP:

Declaration Date	Type	Record Date	Payment Date	Shares
March 8, 2024	Quarterly	March 20, 2024	March 28, 2024	8
May 9, 2024	Quarterly	June 20, 2024	June 28, 2024	15
August 8, 2024	Quarterly	September 19, 2024	September 27, 2024	31
December 9, 2024	Quarterly	December 19, 2024	December 27, 2024	19

During the year ended December 31, 2023, the Company issued the following shares of common stock under the DRIP:

Declaration Date	Type	Record Date	Payment Date	Shares
August 10, 2023	Quarterly	September 15, 2023	September 29, 2023	12
August 10, 2023	Special	September 15, 2023	September 29, 2023	21
November 9, 2023	Quarterly	December 20, 2023	December 29, 2023	84
November 9, 2023	Special	December 20, 2023	December 29, 2023	152

**Issuer Purchases of Equity Securities**

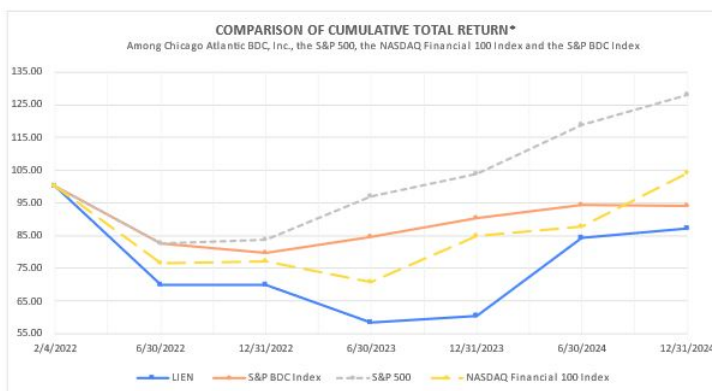
We did not repurchase any of our equity securities during the fiscal years ended December 31, 2024 or December 31, 2023.

**Unregistered Sales of Equity Securities**

During the year ended December 31, 2024, we issued 73 shares of common stock for a total of approximately \$812 under the DRIP. During the year ended December 31, 2023, we issued 269 shares of common stock for a total of approximately \$2,318 under the DRIP. These issuances were not subject to the registration requirements of the Securities Act.

**Performance Graph**

The following stock performance graph compares the cumulative stockholder return of an investment in our common stock, and the S&P BDC Index, S&P 500 Index and NASDAQ Financial 100 Index. The graph measures total shareholder return, which takes into account both changes in stock price and distributions. It assumes that distributions paid are reinvested in like securities prior to any tax effect.



\* Assumes \$100 invested on 2/4/2022 (first date our common stock began trading on the Nasdaq Global Market) through December 31, 2024, in each of our common stock and the S&P BDC Index, S&P 500 Index and NASDAQ Financial 100 Index, including reinvestment of dividends.

The stock price performance included in the above performance graph is based on historical data and is not necessarily indicative of future stock performance. The performance graph and other information furnished under Part II, Item 5 of this Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

**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 the related notes that are included in Item 8 of Part II of this annual report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section entitled “Item 1.A. Risk Factors.” Please also see the section entitled “Special Note Regarding Forward-Looking Statements.”

**Overview**

We were formed in January 2021 as a Maryland corporation and are structured as an externally managed, closed-end, non-diversified management investment company. We have elected to be treated as a BDC under the 1940 Act. In addition, for U.S. federal income tax purposes we have elected to be treated, and intend to qualify annually to be treated, as a RIC under Subchapter M of the Code, commencing with our taxable year ended March 31, 2022.

We are a specialty finance company focused on investing in companies in highly complex and highly regulated industries typically underserved by other capital providers, including investing across the cannabis ecosystem through investments in the form of direct loans to privately held cannabis companies. Although we primarily focus on investments in the cannabis industry, we may also invest in growth and technology companies, esoteric and asset-based lending opportunities, and liquidity solutions opportunities as described further below.

**CHICAGO ATLANTIC BDC, INC.**

Our investment objective is to maximize risk-adjusted returns on equity for our shareholders. We seek to capitalize on, among other things, what we believe to be nascent cannabis industry growth, and drive return on equity by generating current income from our debt investments and capital appreciation from our equity and equity-related investments. We intend to achieve our investment objective by investing primarily in secured debt, unsecured debt, equity warrants and direct equity investments in privately held businesses. We intend that our debt investments will often be secured by either a first or second priority lien on the assets of the portfolio company, can include either fixed or floating rate terms and will generally have a term of between three and six years from the original investment date. To date, we have been focused on investing in first lien secured, fixed and floating rate debt with terms of two to four years. We expect our secured loans to be secured by various types of assets of our borrowers. While the types of collateral securing any given secured loan will depend on the nature of the borrower's business, common types of collateral we expect to secure our loans include real property and certain personal property, including equipment, inventory, receivables, cash, intellectual property rights and other assets to the extent permitted by applicable laws and the regulations governing our borrowers. Certain attractive assets of our cannabis borrowers, such as cannabis licenses and cannabis inventory, may not be able to be used as collateral or transferred to us. See "Item 1A. Risk Factors—Risks Relating to Our Investments—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." In some of our portfolio investments, we expect to receive nominally priced equity warrants and/or make direct equity investments in connection with a debt investment. In addition, a portion of our portfolio may be comprised of derivatives, including total return swaps.

Generally, the loans we invest in have a complete set of financial maintenance covenants, which are used to proactively address materially adverse changes in a portfolio company's financial performance. However, we may invest in "covenant-lite" loans. We use the term "covenant-lite" to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, "covenant-lite" loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. Accordingly, to the extent we invest in "covenant-lite" loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with a complete set of financial maintenance covenants.

The loans in which we tend to invest typically pay interest at rates which are determined periodically on the basis of U.S. Prime Rate ("PRIME") or Secured Overnight Financing Rate ("SOFR") plus a premium. The loans in which we have invested and expect to invest are typically made to U.S. and, to a limited extent, non-U.S. (including emerging market) corporations, partnerships and other business entities which operate in various industries and geographical regions. These loans typically are not rated or are rated below investment grade. Securities rated below investment grade are often referred to as "high-yield" or "junk" securities, and may be considered a higher risk than debt instruments that are rated above investment grade.

We have typically invested in and expect to continue to invest in loans made primarily to private leveraged lower middle-market and middle-market companies with up to \$100 million of earnings before interest, taxes, depreciation and amortization, or "EBITDA." Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. We expect that our investments will generally range between \$2 million and \$50 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We have an active pipeline of investments and are currently reviewing approximately \$644 million of potential investments in varying stages of underwriting.

The following describes the four primary current sub-strategies of our principal investment strategy. We are not required to have a minimum investment in any of these sub-strategies.

**Cannabis**

All of our cannabis investments are designed to be compliant with all applicable laws and regulations within the jurisdictions in which they are made or to which we are otherwise subject, including U.S. federal laws. We will make equity investments only in companies that are compliant with all applicable laws and regulations within the jurisdictions in which they are located or operate, including U.S. federal laws. We may make loans to companies that we determine based on our due diligence are licensed in, and complying with, state-regulated cannabis programs, regardless of their status under U.S. federal law, so long as the investment itself is designed to be compliant with all applicable laws and regulations in the jurisdiction in which the investment is made or to which we are otherwise subject, including U.S. federal law. We are externally managed by the Adviser and seek to expand the compliant cannabis investment activities of the Adviser's leading investment platform in the cannabis industry. We primarily seek to partner with private equity firms, entrepreneurs, business owners and management teams to provide credit and equity financing alternatives to support buyouts, recapitalizations, growth initiatives, refinancings and acquisitions across cannabis companies, including cannabis-enabling technology companies, cannabis-related health and wellness companies, and hemp and CBD distribution companies. Under normal circumstances, each such cannabis company derives at least 50% of its revenues or profits from, or commits at least 50% of its assets to, activities related to cannabis at the time of our investment in the cannabis company. We are not required to invest a specific percentage of our assets in such cannabis companies, and we may make debt and equity investments in other companies regardless of sector.

The Adviser seeks to invest in cannabis companies that it believes have some or all of the following characteristics:

- Growth or EBITDA positive entities
- Companies that require capital but do not want to dilute their equity
- Companies that are showing strong cash flow performance with low leverage profiles
- Transactions that tend to be attractively priced and have better than normal covenants and amortization due to complexity of the industry
- Low debt to enterprise value

Growth & Technology

Our growth and technology sub-strategy is focused on industry leaders and disruptive companies that are experiencing strong growth trajectories and typically need capital to support continued revenue growth or expansion of the business. In most cases, these businesses have found a niche in their respective markets, proven their customer value proposition, and have already reached significant revenue milestones. These businesses include both private equity and venture capital backed businesses, as well as non-sponsor backed companies. In most cases, a significant amount of equity capital has been raised, resulting in low overall loan to enterprise value.

The Adviser seeks to invest in growth and technology focused companies that it believes have some or all of the following characteristics:

- Industry leaders and disruptive companies experiencing strong growth
- Companies that have raised significant equity capital validating market value
- Industry focus typically includes software, hardware, e-commerce, direct to consumer and other fast-growing companies
- Liquidity covenants that ensure such company has adequate cash runway
- Low debt to enterprise value
- Profitable or demonstrated path to near term profitability

Esoteric & Asset-Based Lending

The esoteric and asset-based lending sub-strategy is focused on established companies with strong cash flow profiles in industries that carry idiosyncratic or reputational risks, which limit access to traditional sources of capital. The sub-strategy also includes companies or opportunities that have strong asset collateral coverage, low loan values or other attractive risk-reward features. The lack of access to traditional sources of capital typically enables us to extract lender-friendly terms and covenants from companies with relatively low leverage and overall credit risk.

The Adviser seeks to invest in esoteric industries or companies in need of asset-based loans that it believes have some or all of the following characteristics:

- Companies that are showing strong cash flow performance with low leverage profiles, but the industries carry regulatory, reputational or other risks
- Companies with attractive assets, including, but not limited to, accounts receivable, equipment or real estate
- Transactions that tend to be attractively priced and have better than normal covenants and amortization due to complexity of the industry or situation
- Low debt to asset value and/or enterprise value ratios

**Liquidity Solutions**

The liquidity solutions lending sub-strategy is typically focused on event-driven opportunities including, but not limited to, mergers, acquisitions, refinancings, dividend recaps or other strategically driven liquidity needs to established businesses. These businesses also tend to be in complex industries, have time-sensitive aspects to financing, or require idiosyncratic structuring expertise that enables us to extract relatively lender friendly terms and covenants.

The Adviser seeks to invest in liquidity solutions opportunities that it believes have some or all of the following characteristics:

- Financing is typically event driven
- Companies that are pursuing a merger, acquisition, refinancing, dividend recap, or other strategic liquidity need
- Companies that are showing strong cash flow performance with low leverage profiles
- Companies that have multiple areas of value and liquidity in addition to the underlying business
- Low debt to enterprise value ratios

None of our investment policies are fundamental, and thus may be changed without stockholder approval.

We are externally managed by the Adviser. The Adviser also provides the administrative services necessary for us to operate. We believe that our ability to leverage the existing investment management platform of Chicago Atlantic enables us to operate more efficiently and with lower overhead costs than other funds of comparable size.

**Revenues**

We generate revenues primarily in the form of interest income from the investments we hold. In addition, we may generate income from dividends on either direct equity investments or equity interests obtained in connection with originating loans, such as options, warrants or conversion rights. Our debt investments typically have a term of two to six years. Our loan portfolio will bear interest at a fixed or floating rate, subject to interest rate floors in certain cases. Interest on our debt investments will generally be payable either monthly or quarterly, but may be semi-annually.

Our investment portfolio consists of fixed and floating rate loans, and our credit facilities, if any, will bear interest at floating rates. Macro trends in base interest rates like PRIME or SOFR may affect our net investment income (loss) over the long term.

We accrete premiums or amortize discounts into interest income using the effective yield method for term instruments. Repayments of our debt investments will reduce interest income in future periods. The frequency or volume of these repayments may fluctuate significantly. We will record prepayment premiums on loans as interest income. We may also generate revenue in the form of commitment, structuring, or due diligence fees, fees for providing managerial assistance to our portfolio companies, and consulting fees.

Dividend income on equity investments, if applicable, will be recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded companies.

Our portfolio activity may also reflect the proceeds from sales of investments. We will recognize realized gains or losses on sales of investments based on the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to unrealized gains or losses previously recognized. We will record current-period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized gains (losses) on investments on the Statements of Operations.

**Expenses**

Our primary operating expenses are a base management fee and any incentive fees under the Investment Advisory Agreement. Our investment management fee compensates our Adviser for its work in identifying, evaluating, negotiating, executing, monitoring, servicing and realizing our investments. See "Item 1. Business—Investment Advisory Agreement."

CHICAGO ATLANTIC BDC, INC.

Except as specifically provided below, all investment professionals and staff of the Adviser, when and to the extent engaged in providing investment advisory and management services to us, the base compensation, bonus and benefits, and the routine overhead expenses of such personnel allocable to such services, are provided and paid for by the Adviser. We may bear our allocable portion of the compensation paid by the Adviser (or its affiliates) to our CFO and CCO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). We may bear any other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- the cost of our organization and offerings;
- the cost of calculating our NAV, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees and expenses payable under any underwriting agreements, if any;
- debt service and other costs of borrowings or other financing arrangements;
- costs of hedging;
- expenses, including travel expenses, incurred by the Adviser, or members of the investment team, or payable to third-parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing our rights;
- management and incentive fees payable pursuant to the Investment Advisory Agreement;
- fees payable to third-parties relating to, or associated with, making investments and valuing investments (including third-party valuation firms);
- costs, including legal fees, associated with compliance under cannabis laws;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts (including attendance at industry and investor conferences and similar events);
- federal and state registration fees;
- any exchange listing fees and fees payable to rating agencies;
- federal, state and local taxes;
- independent directors' fees and expenses, including travel expenses;
- cost of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, and the compensation of professionals responsible for the preparation of the foregoing;
- the cost of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- brokerage commissions and other compensation payable to brokers or dealers;
- research and market data;
- fidelity bond, directors' and officers' errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing and staff;
- fees and expenses associated with independent audits, and outside legal and consulting costs;
- costs of winding up;
- costs incurred in connection with the formation or maintenance of entities or vehicles to hold our assets for tax or other purposes;
- extraordinary expenses (such as litigation or indemnification); and
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

CHICAGO ATLANTIC BDC, INC.

We expect, but cannot assure, that our general and administrative expenses will increase in dollar terms during periods of asset growth, but will decline as a percentage of total assets during such periods.

**Hedging**

To the extent that any of our investments are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of futures, options, swaps and forward contracts. Costs incurred in entering into such contracts or in connection with settling them will be borne by us.

**Portfolio Composition and Investment Activity**

*Portfolio Composition*

As of December 31, 2024, our investment portfolio had an aggregate fair value of approximately \$275.2 million and was comprised of approximately \$239.9 million in first lien senior secured loans, approximately \$34.7 million in senior secured notes, and \$0.7 million in equity securities across twenty-eight portfolio companies. As of December 31, 2023, our investment portfolio had an aggregate fair value of approximately \$54.1 million and was comprised of approximately \$46.0 million in first lien senior secured loans, and approximately \$8.1 million in senior secured notes across five portfolio companies.

A summary of the composition of our investment portfolio at amortized cost and fair value as a percentage of total investments are shown in the following tables as of December 31, 2024 and December 31, 2023.

Type	As of December 31, 2024	
	Amortized Cost	Fair Value
First Lien Senior Secured Loans	87.1%	87.1%
Senior Secured Notes	12.6	12.6
Preferred Stock	0.2	0.2
Warrants	0.1	0.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Type	As of December 31, 2023	
	Amortized Cost	Fair Value
First Lien Senior Secured Loans	84.9%	85.0%
Senior Secured Notes	15.1	15.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

CHICAGO ATLANTIC BDC, INC.

The following tables show the composition of our investment portfolio by geographic region of the United States at amortized cost and fair value as a percentage of total investments as of December 31, 2024 and December 31, 2023. The geographic composition is determined by the location of the headquarters of the portfolio company.

Geographic Region	As of December 31, 2024	
	Amortized Cost	Fair Value
<b>United States:</b>		
Midwest	32.4%	32.6%
West	31.6	31.5
Northeast	19.3	19.3
Southwest	8.0	8.0
Southeast	7.6	7.5
<b>International:</b>		
Canada	1.1	1.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Geographic Region	As of December 31, 2023	
	Amortized Cost	Fair Value
<b>United States:</b>		
West	46.5%	46.4%
Midwest	46.0	46.0
Northeast	7.5	7.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Set forth below are tables showing the industry composition of our investment portfolio at amortized cost and fair value as a percentage of total investments as of December 31, 2024 and December 31, 2023.

Industry <sup>(1)</sup>	As of December 31, 2024	
	Amortized Cost	Fair Value
Cannabis	76.6%	76.7%
Finance and Insurance	11.3	11.2
Information	5.4	5.4
Public Administration	3.7	3.8
Retail Trade	1.2	1.2
Health Care and Social Assistance	1.0	1.0
Real Estate and Rental and Leasing	0.8	0.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> The Company uses the North American Industry Classification System (“NAICS”) code for classifying the industry grouping of its portfolio companies, excluding any portfolio company operating in the cannabis industry.

Industry <sup>(1)</sup>	As of December 31, 2023	
	Amortized Cost	Fair Value
Cannabis	100.0%	100.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> The Company uses the North American Industry Classification System (“NAICS”) code for classifying the industry grouping of its portfolio companies, excluding any portfolio company operating in the cannabis industry.

*Concentrations of Credit Risk*

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment’s carrying amount. Industry and sector concentrations will vary from period to period based on portfolio activity.

As of December 31, 2024 and December 31, 2023, we had three portfolio companies that represented 45.1% and 85.0%, respectively, of the fair values of our portfolio. As of December 31, 2024 and December 31, 2023, our largest portfolio company represented 18.9% and 38.7%, respectively, of the total fair values of our investments in portfolio companies.

*Investment Activity*

During the years ended December 31, 2024 and December 31, 2023, we made an aggregate of approximately \$240.5 million and \$8.4 million of investments in twenty-eight and two portfolio companies, excluding fees and discounts, respectively. During the years ended December 31, 2024 and December 31, 2023, there were \$21.4 million and \$6.2 million repayments received or sales of investments.

CHICAGO ATLANTIC BDC, INC.

The following table provides a summary of the changes in the investment portfolio for the years ended December 31, 2024 and December 31, 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
<b>Beginning Portfolio Investments, at fair value</b>	\$ 54,120,000	\$ 50,254,550
Purchases	240,515,638	8,442,000
Accretion of discount (amortization of premium), net	1,101,295	810,554
PIK interest	743,775	115,725
Proceeds from sales of investments and principal repayments	(21,410,831)	(6,214,093)
Net realized gain (loss) on investments	(74,483)	(210,767)
Net change in unrealized appreciation (depreciation) on investments	246,004	922,031
<b>Ending Portfolio Investments, at fair value</b>	<b>\$ 275,241,398</b>	<b>\$ 54,120,000</b>

*Portfolio Asset Quality*

Our portfolio management team uses an ongoing investment risk rating system to characterize and monitor our outstanding loans. Our portfolio management team monitors and, when appropriate, recommends changes to the investment risk ratings. Our Adviser's Valuation Committee reviews the recommendations and/or changes to the investment risk ratings, which are submitted on a quarterly basis to the Board of Directors and its Audit Committee.

Investment Performance Risk Rating	Summary Description
Grade 1	Investments rated 1 involve the least amount of risk to our initial cost basis. The borrower is performing above expectations, and the trends and risk factors for this investment since origination or acquisition are generally favorable. Full return of principal, interest and dividend income is expected.
Grade 2	Investment is performing in-line with expectations. Investments rated 2 involve an acceptable level of risk that is similar to the risk at the time of origination or acquisition. Risk factors remain neutral or favorable compared with initial underwriting. All investments or acquired investments in new portfolio companies are initially assessed a rating of 2.
Grade 3	Investments rated 3 involve a borrower performing below expectations and indicates that the loan's risk has increased somewhat since origination or acquisition. Capital impairment or payment delinquency is not anticipated. The investment may also be out of compliance with certain financial covenants.
Grade 4	Investments rated 4 involve a borrower performing materially below expectations and indicates that the loan's risk has increased materially since origination or acquisition. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 120 days past due). Delinquency of interest and / or dividend payments is anticipated. No loss of principal is anticipated.
Grade 5	Investments rated 5 involve a borrower performing substantially below expectations and indicates that the loan's risk has increased substantially since origination or acquisition. It is anticipated that the Company will not recoup its initial cost and may realize a loss upon exit. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans rated 5 are not anticipated to be repaid in full and we will reduce the fair market value of the loan to the amount we anticipate will be recovered.

The following tables show the distribution of our loan investments on the 1 to 5 investment risk rating scale at fair value as of December 31, 2024 and December 31, 2023:

Investment Performance Risk Rating	As of December 31, 2024	
	Investments at Fair Value	Percentage of Total Investments
1	\$ -	-%
2	275,241,398	100.0
3	-	-
4	-	-
5	-	-
Total	<b>\$ 275,241,398</b>	<b>100.0%</b>

	Investment Performance Risk Rating	As of December 31, 2023	
		Investments at Fair Value	Percentage of Total Investments
1		\$ -	-%
2		54,120,000	100.0%
3		-	-%
4		-	-%
5		-	-%
Total		\$ 54,120,000	100.0%

*Debt Investments on Non-Accrual Status*

As of December 31, 2024 and December 31, 2023, there were no loans in our portfolio placed on non-accrual status.

**Results of Operations**

The following discussion and analysis of our results of operations encompasses our results for the years ended December 31, 2024 and December 31, 2023.

*Investment Income*

The following table sets forth the components of investment income for the years ended December 31, 2024 and December 31, 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Stated interest income	\$ 18,060,773	\$ 10,810,370
Accretion of discount (amortization of premium), net	1,101,295	810,554
PIK	743,775	115,725
Total interest income	19,905,843	11,736,649
Other fee income	1,759,910	196,251
Total investment income	\$ 21,665,753	\$ 11,932,900

We generate revenues primarily in the form of investment income from the investments we hold, generally in the form of interest income from our debt securities. We also generate revenues in the form of investment income from the cash we hold, generally in the form of interest income from our investment in a money market fund. Stated interest income represents interest income recognized as earned in accordance with the contractual terms of the loan agreement. Stated interest income from original issue discount ("OID") and market discount represent the accretion into interest income over the term of the loan as a yield enhancement. Interest income from payment-in-kind ("PIK") represents contractually deferred interest added to the loan balance recorded on an accrual basis to the extent such amounts are expected to be collected.

The Company also recognizes certain fees as one-time fee income, including, but not limited to, structuring fees.

Total interest income increased by \$8.2 million or 69.6% for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily attributable to the increase in the principal balance of our debt investments, which increased from \$55 million to \$277 million during the year ended December 31, 2024 as a result of the Loan Portfolio Acquisition.

Additionally, non-recurring fee income increased by approximately \$1.6 million for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase is primarily attributable to non-refundable upfront fees recognized in connection with the origination of eight new investments during the year ended December 31, 2024, excluding assets acquired in the Loan Portfolio Acquisition, compared to only one new investment originated in the year ended December 31, 2023.

*Operating Expenses*

Our operating expenses for the years ended December 31, 2024 and December 31, 2023 are presented below:

	Year Ended December 31, 2024	Year Ended December 31, 2023	\$ Change	% Change
Transaction expenses related to the Loan Portfolio Acquisition	5,341,779	711,264	4,630,515	651.0%
Income-based incentive fees	2,327,448	1,511,253	816,195	54.0%
Management fee	1,504,239	1,013,764	490,475	48.4%
General and administrative expenses	700,000	-	700,000	100.0%
Professional fees	527,358	435,090	92,268	21.2%
Audit expense	497,200	499,698	(2,498)	(0.5%)
Administrator fees	449,974	335,253	114,721	34.2%
Other expenses	430,254	355,672	74,582	21.0%
Legal expenses	282,156	343,824	(61,668)	(17.9%)
Excise tax expense	120,024	10,655	109,369	1026.5%
Capital gains incentive fees	34,304	87,583	(53,279)	(60.8%)
Total operating expenses	<u>12,214,736</u>	<u>5,304,056</u>	<u>6,910,680</u>	<u>130.3%</u>

For the year ended December 31, 2024, operating expenses increased by \$6.9 million, or 130.3%, compared to the year ended December 31, 2023. This increase was primarily driven by transaction expenses related to the Loan Portfolio Acquisition, which increased from \$0.7 million for the year ended December 31, 2023 to \$5.3 million for the year ended December 31, 2024, as the majority of expenses incurred with respect to the Loan Portfolio Acquisition were incurred during the year ended December 31, 2024.

Additionally, management fee and income-based incentive fees increased from \$1.0 million and \$1.5 million, respectively, for the year ended December 31, 2023, to \$1.5 million and \$2.3 million, respectively, for the year ended December 31, 2024. These increases were primarily due to higher average assets and an increase in investment income resulting from the Loan Portfolio Acquisition.

Furthermore, professional fees, general and administrative expenses, audit expense, administrative fees, other expenses, and legal expenses for the year ended December 31, 2024 either increased or remained consistent compared to the year ended December 31, 2023, reflecting the increase in complexity, portfolio size, and growth of the Company following the completion of the Loan Portfolio Acquisition.

See "Note 13 – Loan Portfolio Acquisition" in the notes to the financial statements included with this annual report on Form 10-K for further information regarding the Loan Portfolio Acquisition.

*Net Investment Income*

Net investment income was approximately \$9.5 million for the year ended December 31, 2024, as compared to approximately \$6.6 million for the year ended December 31, 2023. The fluctuation in net investment income is attributable to the increase in complexity, portfolio size and growth of the Company following the close of the Loan Portfolio Acquisition. The Company saw a net increase of \$220.9 million in the amortized cost of its investment portfolio from December 31, 2023 to December 31, 2024.

*Net Realized Gains and Losses*

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment or a financial instrument and the amortized cost basis of the investment or financial instrument, without regard to unrealized appreciation or depreciation previously recognized, and includes investments written-off during the period. There were \$74,483 net realized losses from the sales, repayments, or exits of investments during the year ended December 31, 2024. There was \$210,767 net realized loss from the sale of an investment during the year ended December 31, 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Total net realized gain (loss)	\$ (74,483)	\$ (210,767)
Value change from previous year	136,284	(210,767)
Percentage change from previous year	65%	-

*Net Change in Unrealized Appreciation (Depreciation) from Investments*

Net change in unrealized appreciation (depreciation) from investments primarily reflects the net change in the fair value as of the last business day of the reporting period, including the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period. We record current-period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments on the Statements of Operations.

CHICAGO ATLANTIC BDC, INC.

Net change in unrealized appreciation (depreciation) from investments for the years ended December 31, 2024 and December 31, 2023 is comprised of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Gross unrealized appreciation	\$ 956,472	\$ 995,334
Gross unrealized depreciation	(710,468)	(73,303)
<b>Total net change in unrealized appreciation (depreciation) from investments</b>	<b>\$ 246,004</b>	<b>\$ 922,031</b>

The following table details net change in unrealized appreciation (depreciation) for our portfolio for the years ended December 31, 2024 and December 31, 2023:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Aeriz Holdings Corp	\$ (53,418)	\$ -
Ascend Wellness Holdings, Inc.	(23,395)	-
Aura Home, Inc	(10,265)	-
Curaleaf Holdings, Inc.	(40,141)	150,678
Deep Roots Harvest, Inc.	(25,000)	-
Dreamfields Brands, Inc. (d/b/a Jeeter)	(4,907)	91,226
Elevation Cannabis, LLC	263,704	-
Flowery - Bill's Nursery, Inc.	61,103	-
HA-MD, LLC	3,608	-
Hartford Gold Group, LLC (Maturity: 12/17/2025)	12,063	-
Hartford Gold Group, LLC (Maturity: 1/6/2027)	23,560	-
Minden Holdings, LLC	3,176	-
Nova Farms, LLC	237,595	-
Oasis - AZ GOAT AZ LLC	(4,033)	-
PharmaCann, Inc	135,369	(73,303)
Proper Holdings, LLC	3,130	-
Protect Animals With Satellites LLC (Halo Collar): Term Loan	(9,643)	-
Protect Animals With Satellites LLC (Halo Collar): Incremental Term Loan	(6,441)	-
Remedy - Maryland Wellness, LLC	44,729	-
RTCP, LLC	19,948	-
STIIIZY, Inc. (f/k/a Shryne Group Inc.)	(185,946)	278,258
Simspace Corporation	(72,959)	-
Subsero Holdings - Illinois, Inc	9,416	-
Sunny Days Enterprises, LLC	43,094	-
Tulip.io Inc.	(30,143)	-
Verano Holdings Corp.	(208,031)	475,172
West Creek Financial Holdings, Inc. dba Koalafi	(18,320)	-
Workbox Holdings, Inc.	46,493	-
Youth Opportunity Investments, LLC	49,484	-
Workbox Holdings, Inc: A-3 Warrants	(5,785)	-
Workbox Holdings, Inc: A-4 Warrants	(12,041)	-
<b>Total net change in unrealized appreciation (depreciation) from investments</b>	<b>\$ 246,004</b>	<b>\$ 922,031</b>

During the year ended December 31, 2024, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our loan portfolio and the conversion of unrealized appreciation (depreciation) to realized gain (loss). During the year ended December 31, 2023, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our loan portfolio.

**Financial Condition, Liquidity and Capital Resources**

We generate cash primarily from the net proceeds of offerings of securities and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities.

**CHICAGO ATLANTIC BDC, INC.**

In addition, we expect to enter into a credit facility in the future. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing, such as the maturity, covenant package and rate structure of the proposed borrowings, our ability to raise funds through the issuance of shares of our common stock and the risks of such borrowings within the context of our investment outlook. Ultimately, we only intend to use leverage if the expected returns from borrowing to make investments will exceed the cost of such borrowing.

Our primary use of funds will be investments in portfolio companies, dividend payments to holders of our common stock who opt out of the DRIP, and the payment of operating expenses. As of December 31, 2024 and December 31, 2023, we had cash resources of approximately \$23.9 million and \$32.6 million and no indebtedness.

To maintain its tax treatment as a RIC, the Company must meet specified source-of-income requirements and timely distribute to its stockholders for each taxable year at least 90% of its investment company taxable income. Additionally, in order for the Company not to be subject to U.S. federal excise taxes, it must distribute annually an amount at least equal to the sum of (i) 98% of its net ordinary income for the calendar year, (ii) 98.2% of its capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (iii) any net ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years.

Dividends may also be distributed in accordance with the DRIP, which provides for the reinvestment of distributions in the form of common stock on behalf of its stockholders, unless a stockholder has elected to receive distributions in cash. As a result, if the Company declares a cash distribution, its stockholders who have not “opted out” of the DRIP by the opt out date will have their cash distribution automatically reinvested into additional shares of the Company’s common stock. The share requirements of the DRIP may be satisfied through the issuance of common shares or through open market purchases of common shares by the DRIP plan administrator.

***U.S. Federal Income Taxes***

We elected to be treated, and intend to qualify annually to be treated, as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders from our tax earnings and profits. To obtain and maintain our RIC tax treatment, we must, among other things, meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.

**Critical Accounting Estimates*****Basis of Presentation***

The Company’s financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and pursuant to Regulation S-X under the Securities Act of 1933, as amended (the “Securities Act”). The Company follows accounting and reporting guidance as determined by the Financial Accounting Standards Board (“FASB”) Topic 946 Financial Services – Investment Companies.

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions affecting amounts reported in our financial statements. We will continuously evaluate our estimates, including those related to the matters described below. These estimates will be based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. For additional information, please refer to “Note 2 – Significant Accounting Policies” in the notes to the financial statements included with this annual report on Form 10-K. Valuation of investments is considered to be our critical accounting policy and estimates. A discussion of our critical accounting estimates follows.

***Investment Valuation***

Investments for which market quotations are readily available will typically be valued at the bid price of those market quotations. To validate market quotations, we utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the Adviser, as the Company’s valuation designee (the “Valuation Designee”), based on inputs that may include valuations, or ranges of valuations, provided by independent third-party valuation firm(s) engaged by the Adviser. Effective September 8, 2022, pursuant to Rule 2a-5 under the 1940 Act, the Board designated the Adviser as the Valuation Designee to perform the fair value determinations for the Company, subject to the oversight of the Board and certain Board reporting and other requirements.

## CHICAGO ATLANTIC BDC, INC.

As part of the valuation process, the Adviser takes into account relevant factors in determining the fair value of our investments, including: the estimated enterprise value of a portfolio company (i.e., the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments based on its earnings and cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, and overall changes in the interest rate environment and the credit markets that may affect the price at which similar investments may be made in the future. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Adviser considers whether the pricing indicated by the external event corroborates its valuation.

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- With respect to investments for which market quotations are readily available, those investments will typically be valued at the bid price of those market quotations;
- With respect to investments for which market quotations are not readily available, the valuation process begins with the Adviser's valuation committee establishing a preliminary valuation of each investment, which may be based on valuations, or ranges of valuations, provided by independent valuation firm(s);
- Preliminary valuations are documented and discussed by the Adviser's valuation committee and, where appropriate, the independent valuation firm(s); and
- The Adviser determines the fair value of each investment.

We conduct this valuation process on a quarterly basis.

We apply Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurement ("ASC 820"), which establishes a framework for measuring fair value in accordance with U.S. GAAP and required disclosures of fair value measurements. ASC 820 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. Market participants are defined as buyers and sellers in the principal or most advantageous market (which may be a hypothetical market) that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820, we consider the principal market to be the market that has the greatest volume and level of activity. ASC 820 specifies a fair value hierarchy that prioritizes and ranks the level of observability of inputs used in determination of fair value. In accordance with ASC 820, these levels are summarized below:

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

All of our investments as of December 31, 2024 and December 31, 2023 are categorized at level 3, and therefore, 100% of our portfolio requires significant estimates. Our investments may not have readily available market quotations (as such term is defined in Rule 2a-5 under the 1940 Act), and those investments which do not have readily available market quotations are valued at fair value as determined in good faith in accordance with our valuation policy. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. Significant unobservable inputs create uncertainty in the measurement of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Company's investments may vary and may include the debt investments' yield and volatility fluctuations. Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value assessment. Significant increases (decreases) in volatility in isolation would result in a significantly lower (higher) fair value assessment.

**CHICAGO ATLANTIC BDC, INC.**

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If we were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected previously.

Assumptions, or unobservable inputs, fluctuate based on both market and company specific factors. Please refer to "Note 4 – Fair Value of Financial Instruments" in the notes to the financial statements included with this annual report on Form 10-K for specific unobservable inputs.

**Other Contractual Obligations**

We have certain commitments pursuant to our Investment Advisory Agreement that we have entered into with the Adviser. We have agreed to pay a fee for investment advisory services consisting of two components: a base management fee and an incentive fee. Payments under the Investment Advisory Agreement will be equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. See "Item 1. Business—Investment Advisory Agreement." We have also entered into a contract with the Adviser to serve as our administrator. Payments under the Administration Agreement will be reimbursements to the Adviser for the costs and expenses incurred by the Adviser in performing its obligations, including but not limited to maintaining and keeping all books and records and providing personnel and facilities. This includes costs and expenses incurred by the Adviser in connection with the delegation of its obligations to a sub-administrator. The Company is not responsible for the compensation of the Adviser's employees and overhead expenses. See "Item 1. Business—Administration Agreement."

**Recent Developments**

On February 20, 2024, the Company announced that the Board unanimously approved an expansion of the Company's investment strategy to permit investments in companies outside of the cannabis and health and wellness sectors that otherwise meet the Company's investment criteria. The investment strategy change became effective on April 22, 2024.

On October 1, 2024, the Company completed its previously announced acquisition from Chicago Atlantic Loan Portfolio, LLC ("CALP") of a portfolio of loans (the "Loan Portfolio") in exchange for newly issued shares of the Company's common stock (the "Loan Portfolio Acquisition"), pursuant to the Purchase Agreement, dated as of February 18, 2024, between the Company and CALP (the "Loan Portfolio Acquisition Agreement"). In accordance with the terms of the Loan Portfolio Acquisition Agreement, at the effective time of the Loan Portfolio Acquisition, the Company issued 16,605,372 shares of its common stock to CALP in exchange for the Loan Portfolio, which was determined by the Company to have a fair value of \$219,621,125 as of September 28, 2024. See "Note 13 – Loan Portfolio Acquisition" in the notes to the financial statements included with this annual report on Form 10-K for further information regarding the Loan Portfolio Acquisition.

On October 1, 2024, the Adviser and Chicago Atlantic BDC Holdings, LLC (together with its affiliates, "Chicago Atlantic"), the investment adviser of CALP, consummated a previously announced transaction pursuant to which a joint venture between Chicago Atlantic and the Adviser has been created to combine and jointly operate the Adviser's, and a portion of Chicago Atlantic's, investment management businesses (the "Joint Venture"). As the Joint Venture caused the automatic termination of the prior investment advisory agreement between the Company and the Adviser (the "Prior Investment Advisory Agreement"), a new investment advisory agreement between the Company and the Adviser (the "New Investment Advisory Agreement"), which was approved by the Board, upon the recommendation of its special committee, and the Company's stockholders, took effect upon the closing of the Joint Venture. The New Investment Advisory Agreement has the same base management and incentive fee as, and otherwise does not materially differ from, the Prior Investment Advisory Agreement.

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company entered into a new license agreement (the "New License Agreement") with the Adviser pursuant to which the Adviser has agreed to grant the Company a nonexclusive, royalty-free license to use the name "Chicago Atlantic." Under the New License Agreement, the Company will have a right to use the "Chicago Atlantic" name, for so long as the Adviser or one of its affiliates remains the Company's investment adviser. Other than with respect to this limited license, the Company will have no legal right to the "Chicago Atlantic" name. The New License Agreement does not materially differ from the prior license agreement between the Company and the Adviser, other than with respect to the licensed name.

CHICAGO ATLANTIC BDC, INC.

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company and the Adviser entered into an expense limitation agreement (the “Expense Limitation Agreement”) pursuant to which the Adviser has agreed to cap the Company’s operating expenses (excluding base management fees, incentive fees, expenses related to the Loan Portfolio Acquisition, and litigation and indemnification expenses) at an annualized rate of 2.15% of the Company’s net assets through September 30, 2025.

In connection with the Loan Portfolio Acquisition and the Joint Venture, the Board and the officers of the Company changed as follows: (i) Frederick C. Herbst (Independent Director), John Mazarakis (Partner at Chicago Atlantic), and Jason Papastavrou (Independent Director) joined the Board, to serve until the 2025, 2026, and 2027 annual meetings of stockholders, respectively, and until their respective successors are duly elected and qualified; (ii) Andreas Bodmeier (Partner at Chicago Atlantic) replaced Mr. Gordon as Chief Executive Officer of the Company; (iii) Mr. Gordon became Executive Chairman of the Board and Co-Chief Investment Officer of the Company; (iv) Umesh Mahajan became Co-Chief Investment Officer of the Company in addition to remaining Chief Financial Officer and Secretary of the Company; and (v) Dino Colonna (Partner at the Adviser) became the President of the Company. Each officer of the Company will serve until his successor has been duly elected and qualified, or until the earlier of his resignation or removal.

In addition, in connection with the Loan Portfolio Acquisition and the Joint Venture, the Company has been renamed “Chicago Atlantic BDC, Inc.,” and its ticker symbol has been changed to “LIEN,” and the Adviser has been renamed “Chicago Atlantic BDC Advisers, LLC.” The changes to the Company’s name and ticker symbol became effective in the market at the open of business on October 2, 2024.

On February 11, 2025, the Company entered into a senior secured revolving credit agreement (the “Credit Agreement”) among the Company, as borrower, Western Alliance Trust Company, N.A. (“WATC”), as administrative agent, Western Alliance Bank, as an issuing bank and as the initial lender, and the other lenders party thereto from time to time.

Under the Credit Agreement, the lenders have agreed to extend credit to the Company on a revolving basis in an initial aggregate amount of up to \$100,000,000 with an option for the Company to request additional commitments, in a minimum amount of \$5,000,000, at one or more times from existing and/or new lenders at their election. The Credit Agreement also provides for the issuance of letters of credit in an aggregate face amount of up to \$5,000,000.

Availability under the Credit Agreement (the “Revolving Period”) will terminate on February 11, 2027, and the Credit Agreement has a scheduled maturity date of March 31, 2028.

Borrowings under the Credit Agreement bear interest at the annual rate of one-month term Secured Overnight Financing Rate plus 3.00%. The Company will pay a commitment fee of 0.50% per annum on the average daily unused portion of commitments under the Credit Agreement during the Revolving Period. The Company also will be required to pay letter of credit participation fees and a fronting fee on the average daily amount of the lenders’ exposure with respect to any letters of credit issued at the request of the Company under the Credit Agreement.

In connection with the Company entering into the Credit Agreement, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that the interest expense, fees, and other costs associated with the Credit Agreement, and any future interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

Additionally, on February 11, 2025, WATC and the Company entered into a custody agreement (the “WATC Custody Agreement”), pursuant to which WATC was appointed to serve as the Company’s custodian to hold securities, loans, cash, and other assets on behalf of the Company. Either party may terminate the WATC Custody Agreement at any time upon sixty (60) days’ prior written notice. In addition, Western Alliance Bank (“WAB”) and the Company entered into two substantively identical custody agreements (the “WAB Custody Agreements”) and together with the WATC Custody Agreement, the “Custody Agreements”), pursuant to which WAB was appointed to hold and act as the Company’s custodian with respect to all Deposit Accounts (as defined in the WAB Custody Agreements) for funds of the Company placed through the ICS Deposit Placement Agreement (included with the WAB Custody Agreements).

On February 14, 2025, Mr. Mahajan resigned from his position as Chief Financial Officer of the Company. Mr. Mahajan’s decision to resign from his position as Chief Financial Officer of the Company was due to his desire to focus more attention on his duties as the Co-Chief Investment Officer of the Company, and was not due to a disagreement on any matter related to the Company’s operations, policies or practices.

CHICAGO ATLANTIC BDC, INC.

On February 14, 2025, the Board appointed Martin Rodgers to the position of Chief Financial Officer of the Company. Mr. Rodgers will serve as Chief Financial Officer of the Company until his successor has been duly elected and qualified, or until the earlier of his resignation or removal.

Mr. Rodgers has over 35 years of accounting, finance, project and risk management experience, and serves as the Senior Managing Director of Finance and Accounting at Chicago Atlantic Group, LP. Prior to joining Chicago Atlantic, Mr. Rodgers spent 15 years at First Eagle Alternative Credit, a \$20 billion alternative credit manager specializing in bank syndicated loans and direct lending debt, in various roles, including Director of Finance and Administration and Director of Alternative Credit Risk, with responsibilities for fund accounting, performance measurement, enterprise risk management, and special projects. Mr. Rodgers started his career in the United Kingdom and spent 4 years in the audit practice at PricewaterhouseCoopers. He has also held positions at Goldman Sachs, Abbot Laboratories, and Jefferson Wells. Mr. Rodgers holds a Bachelor of Arts (Accountancy and Economics) degree from the University of Stirling in Scotland and is a member of the Institute of Chartered Accountants of Scotland.

On March 13, 2025, each of Mr. Frederick Herbst and Mr. Jason Papastavrou resigned from his position as Director of the Company. Each of Mr. Herbst's and Mr. Papastavrou's decision to resign from his position as Director of the Company was not due to a disagreement on any matter related to the Company's operations, policies or practices.

On March 13, 2025, the Board appointed Ms. Supurna VedBrat to replace Mr. Herbst as a Class 1 Director of the Company, to serve until the Company's annual meeting of stockholders to be held in 2025, or until her successor is duly elected and qualified. On March 13, 2025, the Board appointed Mr. Patrick McCauley to replace Mr. Papastavrou as a Class 3 Director of the Company, to serve until the Company's annual meeting of stockholders to be held in 2027, or until his successor is duly elected and qualified.

Ms. VedBrat has had a professional career spanning over 25 years of experience in both the U.S. and Europe, and within the financial and technologies industries. Since 2023, Ms. VedBrat has served as a consultant. Previously, Ms. VedBrat was Head of Global Trading at BlackRock from July 2011 to February 2023, where she oversaw the company's trading function across asset classes and regions. Ms. VedBrat was responsible for driving innovation and setting the trading platform's strategic vision focused on growth and sustainable scalable trading solutions. Ms. VedBrat also served as a member of BlackRock's Global Operating Committee and the Investment Subcommittee. Ms. VedBrat served as the President of Strategic Solutions Consulting from January 2009 to July 2011 and as a fixed income, commodities and distressed debt analyst at Bank of America from March 2004 to January 2009. Ms. VedBrat has served two terms each on the Commodity Futures Trading Commission (CFTC) Technology Advisory Committee (TAC) and the CFTC Global Markets Advisory Committee (GMAC). Previously, Ms. VedBrat held various positions at Bank of America, ING Barings in London, and Lehman Brothers in New York. She started her career as a software engineer with IBM at their research center. Ms. VedBrat serves on the boards of directors of Roadzen, Inc. and South Street Securities LLC. She also serves on the board of Women in Derivatives (WIND), a non-profit with a mission to advance women in the workforce. Ms. VedBrat was given the Financial Markets Luminary award by Women in Derivatives. Ms. VedBrat was ranked #8 on the Institutional Investor's 2018 Trading Tech 40 list. She was also a recipient of the Markets Media Women in Finance Award for Excellence in Leadership. Ms. VedBrat holds a Bachelor of Arts (Honors) degree in Mathematics from Delhi University and a Bachelor of Arts (High Honors) degree in Computer Science from Rutgers University.

Mr. McCauley is Chief Executive Officer and Owner of Bridgewell Agribusiness LLC (SWAB), a commodity-based sales and trading company headquartered in Portland, Oregon. SWAB sources food and agricultural products for industrial and retail food companies. In January 2018, Mr. McCauley purchased SWAB from Bridgewell Resources, where he served as President and Chief Executive Officer since October 2013. Bridgewell Resources is a similar platform to SWAB, focusing on sales and trading of lumber-based products across a range of construction, utility, and retail markets. Prior to working at Bridgewell Resources, Mr. McCauley spent 22 years at Susquehanna International Group (SIG), a global quantitative financial trading firm based in Philadelphia, Pennsylvania. At SIG, Mr. McCauley held a number of key positions including Chief Operating Officer, Head of Business Development, Head of Equity Trading and Head of Trader Development and Education. Mr. McCauley regularly conducts seminars that explore the principles of Decision Science applied to managerial decision-making and strategic business management. In addition, he has developed a curriculum that he has taught as an independent study course for local high school students. Mr. McCauley holds a Bachelor of Arts degree from Swarthmore College and a Master of Business Administration degree from Vanderbilt University.

On March 13, 2025, Dr. Andreas Bodmeier resigned from his position as Chief Executive Officer of the Company. Dr. Bodmeier's decision to resign from his position as Chief Executive Officer of the Company was not due to a disagreement on any matter related to the Company's operations, policies or practices.

On March 13, 2025, the Board appointed Mr. Peter Sack to the position of Chief Executive Officer of the Company. Mr. Sack will serve as Chief Executive Officer of the Company until his successor has been duly elected and qualified, or until the earlier of his resignation or removal.

Mr. Sack is a Managing Partner at Chicago Atlantic Group, LP. Mr. Sack is a credit investor and portfolio manager with experience investing across the capital structure. Prior to joining Chicago Atlantic, Mr. Sack was a Principal at BC Partners Credit from July 2018 to June 2021, where he sourced and underwrote across the firm's opportunistic and senior lending strategies in a wide array of industries including cannabis-related direct lending. Previously, Mr. Sack was an Associate at Atlas Holdings LLC, a private-equity firm focused on supporting distressed manufacturing and distribution companies globally, from July 2012 to June 2016. Mr. Sack serves on the boards of directors of Chicago Atlantic Real Estate Finance, Inc., Ability Insurance Company, and the New York City Charter School of the Arts. Mr. Sack speaks Mandarin Chinese and Spanish. Mr. Sack holds a Bachelor of Arts degree in East Asian Studies from Yale University, and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and was a Fulbright Scholar at Sun Yat-sen University in China.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Uncertainty with respect to the economic effects of political tensions in the United States and around the world (including the current conflicts between Russia and Ukraine and in the Middle East) have introduced significant volatility in the financial markets, and the effect of the volatility could materially impact our market risks, including those listed below. We are subject to financial market risks, including valuation risk, interest rate risk and credit risk.

**Valuation Risk**

Our investments may not have readily available market quotations (as such term is defined in Rule 2a-5 under the 1940 Act), and those investments which do not have readily available market quotations are valued at fair value as determined in good faith in accordance with our valuation policy. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is possible that the difference could be material.

**Interest Rate Risk**

Interest rate sensitivity and risk refer to the change in earnings that may result from changes in the level of interest rates. To the extent that we borrow money to make investments, including under any credit facility, our net investment income will be affected by the difference between the rate at which we borrow funds and the rate at which we invest these funds. In periods of rising interest rates, our cost of borrowing funds would increase, which may reduce our net investment income. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

As of December 31, 2024, 79.5% of our debt investments based on outstanding principal balance represented floating-rate investments based on PRIME or SOFR and approximately 20.5% of our debt investments based on outstanding principal balance represented fixed rate investments. As of December 31, 2023, 84.1% of our debt investments based on outstanding principal balance represented floating-rate investments based on PRIME and approximately 15.9% of our debt investments based on outstanding principal balance represented fixed rate investments.

Based on our Statements of Operations for the year ended December 31, 2024, the following table shows the annualized impact on net income of hypothetical base rate changes in the benchmark rate on our debt investments (considering interest rate floors for floating rate instruments):

Change in Interest Rates	Interest Income	Interest Expense	Net Income/(Loss)
Up 300 basis points	\$ 39,514	\$ -	\$ 39,514
Up 200 basis points	37,308	-	37,308
Up 100 basis points	35,102	-	35,102
Down 100 basis points	(32,184)	-	(32,184)
Down 200 basis points	(31,410)	-	(31,410)
Down 300 basis points	(30,782)	-	(30,782)

## CHICAGO ATLANTIC BDC, INC.

Based on our Statements of Operations for the year ended December 31, 2023, the following table shows the annualized impact on net income of hypothetical base rate changes in the benchmark rate on our debt investments (considering interest rate floors for floating rate instruments):

<b>Change in Interest Rates</b>	<b>Interest Income</b>	<b>Interest Expense</b>	<b>Net Income/(Loss)</b>
Up 300 basis points	\$ 6,103	\$ -	\$ 6,103
Up 200 basis points	3,897	-	3,897
Up 100 basis points	1,691	-	1,691
Down 100 basis points	(1,227)	-	(1,227)
Down 200 basis points	(2,001)	-	(2,001)
Down 300 basis points	(2,629)	-	(2,629)

Item 8. Financial Statements and Supplementary Data

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Chicago Atlantic BDC, Inc. (formerly known as Silver Spike Investment Corp.)  
New York, NY

**Opinion on the Financial Statements**

We have audited the accompanying statements of assets and liabilities of Chicago Atlantic BDC, Inc. (formerly known as Silver Spike Investment Corp.) (the “Company”), including the schedules of investments, as of December 31, 2024 and 2023, the related statements of operations, changes in net assets, and cash flows for each of the two years in the period ended December 31, 2024, and for the period from April 1, 2022 through December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations, changes in its net assets, and its cash flows for each of the two years in the period ended December 31, 2024, and for the period from April 1, 2022 through December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 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 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 financial statements. Our procedures included confirmation of securities owned as of December 31, 2024 and 2023 by correspondence with the custodian and the underlying investees or agents. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

New York, NY

March 31, 2025

**Chicago Atlantic BDC, Inc.**  
**Statements of Assets and Liabilities**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
Investments at fair value:		
Non-control/non-affiliate investments at fair value (amortized cost of \$274,346,711 and \$53,471,317, respectively)	\$ 275,241,398	\$ 54,120,000
Cash and cash equivalents	23,932,406	32,611,635
Receivable for investment sold	4,122,500	-
Interest receivable	3,582,610	1,755,360
Due from affiliates	2,361,019	-
Prepaid expenses and other assets	321,108	89,276
<b>Total assets</b>	<b>\$ 309,561,041</b>	<b>\$ 88,576,271</b>
<b>LIABILITIES</b>		
Transaction fees payable related to the Loan Portfolio Acquisition	\$ 2,945,125	\$ 711,264
Income-based incentive fees payable	1,998,945	1,511,253
Offering costs payable	989,645	-
Due to affiliates	905,129	-
Management fee payable	758,362	257,121
Professional fees payable	458,809	431,953
Capital gains incentive fees payable	121,887	87,583
Excise tax payable	88,709	10,655
Deferred financing costs payable	47,881	-
Other payables	46,219	13,822
Unearned interest income	37,752	-
Distributions payable	-	2
<b>Total liabilities</b>	<b>\$ 8,398,463</b>	<b>\$ 3,023,653</b>
<b>Commitments and contingencies (Note 6)</b>		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 22,820,386 and 6,214,941 shares issued and outstanding, respectively	228,204	62,149
Additional paid-in-capital	303,272,034	85,041,203
Distributable earnings (accumulated loss)	(2,337,660)	449,266
<b>Total net assets</b>	<b>\$ 301,162,578</b>	<b>\$ 85,552,618</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 13.20</b>	<b>\$ 13.77</b>

See notes to financial statements.

Chicago Atlantic BDC, Inc.  
Statements of Operations

	For the years ended December 31,		For the period from April 1, 2022 through December 31, 2022*
	2024	2023	2022*
<b>INVESTMENT INCOME</b>			
<b>Non-control/non-affiliate investment income</b>			
Interest income	\$ 19,905,843	\$ 11,736,649	\$ 3,626,792
Fee income	1,759,910	196,251	410,000
<b>Total investment income</b>	<b>21,665,753</b>	<b>11,932,900</b>	<b>4,036,792</b>
<b>EXPENSES</b>			
Transaction expenses related to the Loan Portfolio Acquisition	5,341,779	711,264	-
Income-based incentive fees	2,327,448	1,511,253	-
Management fee	1,504,239	1,013,764	336,432
General and administrative expenses	700,000	-	-
Professional fees	527,358	435,090	206,259
Audit expense	497,200	499,698	210,284
Administrator fees	449,974	335,253	171,494
Other expenses	430,254	355,672	350,358
Legal expenses	282,156	343,824	484,412
Excise tax expense	120,024	10,655	80,566
Capital gains incentive fees	34,304	87,583	-
<b>Total expenses</b>	<b>12,214,736</b>	<b>5,304,056</b>	<b>1,839,805</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>9,451,017</b>	<b>6,628,844</b>	<b>2,196,987</b>
<b>NET REALIZED GAIN (LOSS) FROM INVESTMENTS</b>			
Non-controlled non-affiliate investments	(74,483)	(210,767)	-
<b>Net realized gain (loss) from investments</b>	<b>(74,483)</b>	<b>(210,767)</b>	<b>-</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) FROM INVESTMENTS</b>			
Non-controlled/non-affiliate investments	246,004	922,031	(273,348)
<b>Net change in unrealized appreciation (depreciation) from investments</b>	<b>246,004</b>	<b>922,031</b>	<b>(273,348)</b>
<b>Net realized and unrealized gains (losses)</b>	<b>171,521</b>	<b>711,264</b>	<b>(273,348)</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>9,622,538</b>	<b>7,340,108</b>	<b>1,923,639</b>
<b>NET INVESTMENT INCOME (LOSS) PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.91</b>	<b>\$ 1.07</b>	<b>\$ 0.35</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.93</b>	<b>\$ 1.18</b>	<b>\$ 0.31</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>10,343,621</b>	<b>6,214,682</b>	<b>6,214,672</b>

\* On November 8, 2022, our Board of Directors approved a change in our fiscal year end from March 31 to December 31.

See notes to financial statements.

Chicago Atlantic BDC, Inc.  
Statements of Changes in Net Assets

<b>Common Stock</b>					
	Shares	Par Value	Additional paid-in-capital	Distributable Earnings/ (Accumulated Loss)	Total Net Assets
<b>Balance, December 31, 2023</b>	6,214,941	\$ 62,149	\$ 85,041,203	\$ 449,266	\$ 85,552,618
<i>Net increase (decrease) in net assets resulting from operations</i>					
Net investment income (loss)	-	-	-	9,451,017	9,451,017
Net realized gain (loss) from investments	-	-	-	(74,483)	(74,483)
Net change in unrealized appreciation (depreciation) from investments	-	-	-	246,004	246,004
Total net increase (decrease) in net assets resulting from operations	-	-	-	9,622,538	9,622,538
<i>Distributions to stockholders from:</i>					
Investment income-net	-	-	-	(12,420,140)	(12,420,140)
<i>Capital transactions</i>					
Issuance of common stock, net of offering costs	16,605,372	166,054	218,240,696	-	218,406,750
Reinvestment of stockholder distributions	73	1	811	-	812
Total net increase (decrease) in net assets from capital transactions	16,605,445	166,055	218,241,507	-	218,407,562
Total increase (decrease) in net assets	16,605,445	166,055	218,241,507	(2,797,602)	215,609,960
Effect of permanent adjustments	-	-	(10,676)	10,676	-
<b>Balance, December 31, 2024</b>	<b>22,820,386</b>	<b>\$ 228,204</b>	<b>\$ 303,272,034</b>	<b>\$ (2,337,660)</b>	<b>\$ 301,162,578</b>

<b>Common Stock</b>					
	Shares	Par Value	Additional paid-in-capital	Distributable Earnings/ (Accumulated Loss)	Total Net Assets
<b>Balance, December 31, 2022</b>	6,214,672	\$ 62,147	\$ 84,917,788	\$ 1,495,794	\$ 86,475,729
<i>Net increase (decrease) in net assets resulting from operations</i>					
Net investment income (loss)	-	-	-	6,628,844	6,628,844
Net realized gain (loss) from investments	-	-	-	(210,767)	(210,767)
Net change in unrealized appreciation (depreciation) from investments	-	-	-	922,031	922,031
Total net increase (decrease) in net assets resulting from operations	-	-	-	7,340,108	7,340,108
<i>Distributions to stockholders from:</i>					
Investment income-net	-	-	-	(8,265,537)	(8,265,537)
<i>Capital transactions</i>					
Issuance of common stock, net of offering costs	-	-	-	-	-
Reinvestment of stockholder distributions	269	2	2,316	-	2,318
Total net increase (decrease) in net assets from capital transactions	269	2	2,316	-	2,318
Total increase (decrease) in net assets	269	2	2,316	(925,429)	(923,111)
Effect of permanent adjustments	-	-	121,099	(121,099)	-
<b>Balance, December 31, 2023</b>	<b>6,214,941</b>	<b>\$ 62,149</b>	<b>\$ 85,041,203</b>	<b>\$ 449,266</b>	<b>\$ 85,552,618</b>

See notes to financial statements.

Chicago Atlantic BDC, Inc.  
Statements of Changes in Net Assets

<b>Common Stock</b>					
	Shares	Par Value	Additional paid-in- capital	Distributable Earnings/ (Accumulated Loss)	Total Net Assets
<b>Balance, March 31, 2022</b>	6,214,672	\$ 62,147	\$ 84,917,788	\$ (427,845)	\$ 84,552,090
<i>Net increase (decrease) in net assets resulting from operations</i>					
Net investment income (loss)	-	-	-	2,196,987	2,196,987
Net realized gain (loss) from investments	-	-	-	-	-
Net change in unrealized appreciation (depreciation) from investments	-	-	-	(273,348)	(273,348)
Total net increase (decrease) in net assets resulting from operations	-	-	-	1,923,639	1,923,639
<i>Distributions to stockholders from:</i>					
Investment income-net	-	-	-	-	-
<i>Capital transactions</i>					
Issuance of common stock, net of offering costs	-	-	-	-	-
Reinvestment of stockholder distributions	-	-	-	-	-
Total net increase (decrease) in net assets from capital transactions	-	-	-	-	-
Total increase (decrease) in net assets	6,214,672	62,147	84,917,788	1,923,639	1,923,639
Effect of permanent adjustments	-	-	-	-	-
<b>Balance, December 31, 2022*</b>	<b>6,214,672</b>	<b>\$ 62,147</b>	<b>\$ 84,917,788</b>	<b>\$ 1,495,794</b>	<b>\$ 86,475,729</b>

\* On November 8, 2022, our Board of Directors approved a change in our fiscal year end from March 31 to December 31.

See notes to financial statements.

Chicago Atlantic BDC, Inc.  
Statements of Cash Flows

	For the years ended December 31,		For the period from April 1, 2022 through December 31, 2022*
	2024	2023	
<b>Cash flows from operating activities</b>			
Net increase (decrease) in net assets resulting from operations	\$ 9,622,538	\$ 7,340,108	\$ 1,923,639
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net realized (gain) loss from investments	74,483	210,767	-
Net change in unrealized (appreciation) depreciation from investments	(246,004)	(922,031)	273,348
Net (accretion of discounts) and amortization of premiums	(1,101,295)	(810,554)	(165,398)
Purchase of investments	(29,943,975)	(8,442,000)	(50,362,500)
PIK interest capitalized	(743,775)	(115,725)	-
Proceeds from sales of investments and principal repayments	21,410,831	6,214,093	-
<b>(Increase) Decrease in operating assets:</b>			
Interest receivable	(1,827,250)	(196,279)	(1,549,867)
Receivable for investment sold	(4,122,500)	-	-
Due from affiliates	(2,361,019)	-	-
Prepaid expenses and other assets	(133,953)	(56,953)	224,189
<b>Increase (Decrease) in operating liabilities:</b>			
Income-based incentive fees payable	487,692	1,511,253	-
Management fee payable	501,241	86,156	170,965
Capital gains incentive fees payable	34,304	87,583	-
Professional fees payable	26,856	221,639	54,810
Transaction fees payable related to the Loan Portfolio Acquisition	2,233,861	711,264	-
Other payables	32,397	(19,841)	8,305
Due to affiliates	905,129	(37)	(48)
Excise tax payable	78,054	(69,911)	80,566
Deferred income payable	37,752	-	-
Offering cost payable	-	-	(264,581)
Organizational costs payable	-	-	(34,168)
<b>Net cash (used in) provided by operating activities</b>	<b>(5,034,633)</b>	<b>5,749,532</b>	<b>(49,640,740)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of common stock	9,049,462	-	-
Offering costs paid	(274,728)	-	-
Distributions paid	(12,419,330)	(8,263,217)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(3,644,596)</b>	<b>(8,263,217)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,679,229)</b>	<b>(2,513,685)</b>	<b>(49,640,740)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>32,611,635</b>	<b>35,125,320</b>	<b>84,766,060</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 23,932,406</b>	<b>\$ 32,611,635</b>	<b>\$ 35,125,320</b>
<b>Supplemental disclosure and non-cash financing and investing activity</b>			
Loans acquired for issuances of shares of common stock	\$ 210,571,663	\$ -	\$ -
Reinvestment of dividend distributions	812	2,318	-
Accrual for deferred financing costs (Note 2)	47,881	-	-
Accrual for deferred offering costs (Note 2)	49,998	-	-
Excise taxes paid	41,969	80,566	-

\* On November 8, 2022, our Board of Directors approved a change in our fiscal year end from March 31 to December 31.

See notes to financial statements.

**Chicago Atlantic BDC, Inc.**  
**December 31, 2024**  
**Schedule of Investments**  
**(in thousands)**

Portfolio Company	Facility Type	All-in Rate	Benchmark <sup>(3)</sup>	Spread	PIK	Floor	Initial Acquisition Date	Maturity	Par <sup>(2)</sup>	Amortized Cost <sup>(17)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets	Tickmark
<b>Investments at Fair Value</b>													
<b>U.S. Corporate Debt</b>													
<b>First Lien Senior Secured U.S. Debt</b>													
<b>Cannabis</b>													
Aeriz Holdings Corp	Delayed Draw Term Loan	15.50%	P	6.00%	2.00%	7.00%	10/1/2024	6/30/2025	\$ 10,075	\$ 9,927	\$ 9,873	3.28%	(9)
Archos Capital Group, LLC	Delayed Draw Term Loan	13.25%	P	5.75%	0.00%	8.50%	10/1/2024	2/28/2025	1,462	1,462	1,462	0.49%	(10)
Deep Roots Harvest, Inc.	Delayed Draw Term Loan	14.00%	P	6.50%	0.00%	8.00%	10/23/2024	8/15/2027	5,000	5,000	4,975	1.65%	(11)
Dreamfields Brands, Inc. (d/b/a Jeeter)	Delayed Draw Term Loan	16.25%	P	8.75%	0.00%	7.50%	5/3/2023	5/3/2026	31,745	31,659	31,745	10.54%	(11)
Elevation Cannabis, LLC	Delayed Draw Term Loan	15.25%	P	7.75%	0.00%	8.50%	10/1/2024	12/31/2026	14,300	13,893	14,157	4.70%	(10)
Flowery - Bill's Nursery, Inc.	Delayed Draw Term Loan	16.00%	F	11.00%	5.00%	0.00%	10/1/2024	12/31/2025	12,364	12,303	12,364	4.11%	(12)
HA-MD, LLC	Term Loan	15.00%	F	15.00%	0.00%	0.00%	10/1/2024	6/6/2026	3,290	3,286	3,290	1.09%	(12)
Kaleafa, Inc.	Term Loan	16.00%	P	8.50%	0.00%	8.50%	10/4/2024	12/3/2027	2,875	2,875	2,875	0.95%	(11)
Nova Farms, LLC	Term Loan	14.00%	P	6.50%	0.00%	8.50%	10/1/2024	3/28/2027	15,679	14,579	14,817	4.92%	(9)
Oasis - AZ GOAT AZ LLC	Term Loan	15.00%	P	7.50%	0.00%	8.00%	10/1/2024	3/31/2026	5,146	5,073	5,069	1.68%	(11)
Proper Holdings, LLC	Delayed Draw Term Loan	13.00%	F	11.00%	2.00%	0.00%	10/1/2024	11/28/2025	4,396	4,393	4,396	1.46%	(10)
Remedy - Maryland Wellness, LLC	Delayed Draw Term Loan	18.50%	P	7.50%	3.50%	5.00%	10/1/2024	8/4/2025	3,146	3,086	3,130	1.04%	(9)
STHIZY, Inc (f/k/a) Shryne Group, Inc	Term Loan	17.00%	P	8.50%	1.00%	4.00%	5/26/2022	5/26/2027	40,793	40,504	40,385	13.41%	(11)
Subsero Holdings - Illinois, Inc	Delayed Draw Term Loan	16.50%	P	7.00%	2.00%	7.00%	10/1/2024	7/29/2026	2,941	2,873	2,882	0.96%	(10)
Verano Holdings Corp.	Term Loan	14.00%	P	6.50%	0.00%	6.25%	10/27/2022	10/30/2026	51,768	51,760	52,027	17.28%	(10)(14)
<b>Total Cannabis</b>										<b>202,673</b>	<b>203,447</b>	<b>67.56%</b>	
<b>Finance and Insurance</b>													
Hartford Gold Group, LLC	Term Loan	14.40%	S	9.85%	0.00%	1.50%	10/1/2024	12/17/2025	162	144	156	0.05%	(11)
Hartford Gold Group, LLC	Term Loan	14.75%	S	9.85%	0.00%	1.50%	10/1/2024	1/6/2027	1,682	1,431	1,455	0.48%	(11)
Minden Holdings, LLC	Term Loan	14.40%	P	7.25%	0.00%	0.00%	10/1/2024	5/31/2026	2,200	2,197	2,200	0.73%	(10)
<b>Total Finance and Insurance</b>										<b>3,772</b>	<b>3,811</b>	<b>1.26%</b>	
<b>Health Care and Social Assistance</b>													
Sunny Days Enterprises, LLC	Delayed Draw Term Loan	20.25%	P	4.75%	8.00%	3.25%	10/1/2024	3/31/2025	2,742	2,754	2,797	0.93%	(9)
<b>Total Health Care and Social Assistance</b>										<b>2,754</b>	<b>2,797</b>	<b>0.93%</b>	
<b>Information</b>													
Protect Animals With Satellites LLC (Halo Collar)	Term Loan	12.25%	P	1.75%	3.00%	8.50%	10/1/2024	11/1/2026	3,663	3,417	3,407	1.13%	(9)
Protect Animals With Satellites LLC (Halo Collar)	Incremental Term Loan	12.25%	P	1.75%	3.00%	8.50%	10/1/2024	11/1/2026	2,004	1,870	1,864	0.62%	(9)
Simspace Corporation	Term Loan	17.50%	P	10.00%	0.00%	8.50%	10/1/2024	11/1/2025	6,500	6,573	6,500	2.16%	(9)
<b>Total Information</b>										<b>11,860</b>	<b>11,771</b>	<b>3.91%</b>	
<b>Public Administration</b>													
Youth Opportunity Investments, LLC	Term Loan	12.28%	S	7.75%	0.00%	4.00%	10/1/2024	9/18/2026	10,375	10,273	10,323	3.43%	(10)
<b>Total Public Administration</b>										<b>10,273</b>	<b>10,323</b>	<b>3.43%</b>	
<b>Real Estate and Rental and Leasing</b>													
Workbox Holdings Inc.	Term Loan	12.00%	F	6.00%	6.00%	0.00%	5/20/2024	5/31/2029	1,622	1,406	1,452	0.48%	(10)
<b>Total Real Estate and Rental and Leasing</b>										<b>1,406</b>	<b>1,452</b>	<b>0.48%</b>	
<b>Retail Trade</b>													
Aura Home, Inc	Term Loan	12.03%	S	7.50%	0.00%	4.00%	10/1/2024	9/22/2025	3,325	3,285	3,275	1.09%	(9)
<b>Total Retail Trade</b>										<b>3,285</b>	<b>3,275</b>	<b>1.09%</b>	
<b>Total First Lien Senior Secured U.S. Debt</b>										<b>236,023</b>	<b>236,876</b>	<b>78.65%</b>	
<b>Senior Secured U.S. Notes</b>													
<b>Cannabis</b>													
Ascend Wellness	Senior Secured Note	12.75%	F	12.75%	0.00%	0.00%	7/16/2024	7/16/2029	3,500	3,331	3,308	1.10%	(9)
Curaleaf Holdings, Inc.	Senior Secured Note	8.00%	F	8.00%	0.00%	0.00%	10/11/2022	12/15/2026	4,500	4,142	4,253	1.41%	(9)(14)
<b>Total Cannabis</b>										<b>7,473</b>	<b>7,561</b>	<b>2.51%</b>	
<b>Finance and Insurance</b>													
RTCP, LLC	Senior Secured Note	15.00%	F	15.00%	0.00%	0.00%	10/1/2024	10/2/2028	22,000	21,980	22,000	7.31%	(13)
West Creek Financial Holdings, Inc. dba Koalafi	Series A Senior Note	18.80%	F	13.80%	5.00%	0.00%	10/1/2024	11/29/2027	5,148	5,115	5,096	1.69%	(12)
<b>Total Finance and Insurance</b>										<b>27,095</b>	<b>27,096</b>	<b>9.00%</b>	
<b>Total Senior Secured U.S. Notes</b>										<b>34,568</b>	<b>34,657</b>	<b>11.51%</b>	
<b>Total U.S. Corporate Debt</b>										<b>270,590</b>	<b>271,532</b>	<b>90.17%</b>	
<b>Canadian Corporate Debt</b>													
<b>First Lien Senior Secured Canadian Debt</b>													
<b>Information</b>													
Tulip.io Inc.	Term Loan	14.50%	P	4.00%	3.00%	8.00%	11/4/2024	11/4/2028	3,014	3,014	2,984	0.99%	(8)(14)
<b>Total Information</b>										<b>3,014</b>	<b>2,984</b>	<b>0.99%</b>	
<b>Total First Lien Senior Secured Canadian Debt</b>										<b>3,014</b>	<b>2,984</b>	<b>0.99%</b>	
<b>Total Canadian Corporate Debt</b>										<b>3,014</b>	<b>2,984</b>	<b>0.99%</b>	
<b>Total Debt Investments</b>										<b>273,604</b>	<b>274,516</b>	<b>91.16%</b>	

**Chicago Atlantic BDC, Inc.**  
**December 31, 2024**  
**Schedule of Investments**  
**(in thousands)**

Portfolio Company	Class Series	Initial Acquisition Date	Shares	Amortized Cost <sup>(17)</sup>	Fair Value	% of Net Assets	Tickmark
<b>U.S. Preferred Stock</b>							
<b>Real Estate and Rental and Leasing</b>							
Workbox Holdings Inc.	A-1 Preferred	5/20/2024	500,000	500	500	0.17%	(6)(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>500</b>	<b>500</b>	<b>0.17%</b>	
<b>Total U.S. Preferred Stock</b>				<b>500</b>	<b>500</b>	<b>0.17%</b>	
<b>U.S. Warrants</b>							
<b>Real Estate and Rental and Leasing</b>							
Workbox Holdings Inc.	A-3 Warrants	5/20/2024	71,000	97	91	0.03%	(6)(10)
Workbox Holdings Inc.	A-4 Warrants	5/20/2024	105,000	146	134	0.04%	(6)(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>243</b>	<b>225</b>	<b>0.07%</b>	
<b>Total U.S. Warrants</b>				<b>243</b>	<b>225</b>	<b>0.07%</b>	
<b>Canadian Warrants</b>							
<b>Information</b>							
Tulip.io Inc.	Warrants	11/4/2024	64,776	-	-	0.00%	(6)(8)(14)
<b>Total Information</b>				<b>-</b>	<b>-</b>	<b>0.00%</b>	
<b>Total Canadian Warrants</b>				<b>-</b>	<b>-</b>	<b>0.00%</b>	
<b>Total Equity Investments</b>				<b>743</b>	<b>725</b>	<b>0.24%</b>	
<b>TOTAL INVESTMENTS</b>				<b>274,347</b>	<b>275,241</b>	<b>91.40%</b>	

Portfolio Company	Yield	Cost	Fair Value	% of Net Assets	Tickmark
<b>Cash &amp; Cash Equivalents</b>					
State Street Institutional US Government Money Market Fund	4.43%	23,932	23,932	7.95%	(15)(16)
<b>Total Cash &amp; Cash Equivalents</b>		<b>23,932</b>	<b>23,932</b>	<b>7.95%</b>	
<b>Total Portfolio Investments and Cash &amp; Cash Equivalents</b>		<b>298,279</b>	<b>299,174</b>	<b>99.35%</b>	

**Tickmark Legend**

- (1) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of Financial Accounting Standards Board's Accounting Standards Codification 820 Fair Value Hierarchy.
  - (2) Par is net of repayments, if any, as per the terms of the debt instrument's contract.
  - (3) Generally, the interest rate on floating interest rate investments is at benchmark rate plus spread, subject to a benchmark interest rate floor. The benchmark rate is determined via the Credit or Loan Service Agreement, such as the Secured Overnight Financing Rate ("S") or the U.S. Prime Rate ("P"). The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. S loans are typically indexed to 30-day, 90-day or 180-day rates (1M, 3M or 6M, respectively) as defined in the Loan Service Agreements. As of December 31, 2024, rates for 1M S, 3M S and 6M S are 4.53%, 4.69%, and 5.03%, respectively. As of December 31, 2024, the P was 7.50%.
  - (4) All investments were valued at fair value. See Note 4 — Fair Value of Financial Instruments in the accompanying notes to the financial statements.
  - (5) The Company uses the North American Industry Classification System ("NAICS") code for classifying the industry grouping of its portfolio companies, excluding any portfolio company operating in the cannabis industry.
  - (6) Indicates a non-income producing investment. As of December 31, 2024, no debt investments are deemed as non-income producing.
  - (7) Geographic regions are determined by the respective portfolio company's headquarters' location.
  - (8) The respective portfolio company's headquarters' is located outside of the United States.
  - (9) Portfolio company located in the Northeast.
  - (10) Portfolio company located in the Midwest.
  - (11) Portfolio company located in the West.
  - (12) Portfolio company located in the Southeast.
  - (13) Portfolio company located in the Southwest.
  - (14) The investment is a "non-qualifying asset." Under the Investment Company Act of 1940, as amended (the "1940 Act"), a business development company ("BDC") may not acquire any "non-qualifying asset" (i.e., an asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as "qualifying assets"), unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC's total assets. As of December 31, 2024 the aggregate fair value of non-qualifying assets is \$59,263,833 or 19.14% of the Company's total assets.
  - (15) The rate shown is the annualized seven-day yield as of December 31, 2024.
  - (16) Included within 'Cash and cash equivalents' on the Consolidated Statements of Assets and Liabilities.
  - (17) The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.
- F - Fixed  
P - Prime  
PIK - Payment-In-Kind  
S - SOFR

See accompanying notes to financial statements.

**Chicago Atlantic BDC, Inc.**  
**December 31, 2023**  
**Schedule of Investments**  
(in thousands)

Portfolio Company	Facility Type	All-in Rate	Bench-mark (3)	Spread	PIK	Floor	Initial Acquisition Date	Maturity	Par (2)	Amortized Cost (14)	Fair Value (4)	% of Net Assets	Tickmark	
<b>Investments at Fair Value</b>														
<b>US Corporate Debt</b>														
<b>First Lien Senior Secured U.S. Debt</b>														
<b>Cannabis</b>														
Dreamfields Brands, Inc. (d/b/a Jeeter)	Delayed Draw Term Loan	17.25%	P	8.75%	0.00%	7.50%	5/3/2023	5/3/2026	\$ 4,320	\$ 4,229	\$ 4,320	5.05%	(10)	
STHIZY, Inc (f/k/a) Shryne Group, Inc	Term Loan	17.00%	P	8.50%	1.00%	4.00%	5/26/2022	5/26/2026	21,065	20,682	20,749	24.25%	(10)	
Verano Holdings Corp.	Term Loan	15.00%	P	6.50%	0.00%	6.25%	10/27/2022	10/30/2026	20,937	20,462	20,937	24.47%	(9)(11)	
<b>Total Cannabis</b>										<b>45,373</b>	<b>46,006</b>	<b>53.77%</b>		
<b>Total First Lien Senior Secured U.S. Debt</b>										<b>45,373</b>	<b>46,006</b>	<b>53.77%</b>		
<b>Senior Secured U.S. Notes</b>														
<b>Cannabis</b>														
Curaleaf Holdings, Inc.	Senior Secured Note	8.00%	F	8.00%	0.00%	0.00%	10/11/2022	12/15/2026	4,500	3,989	4,140	4.84%	(8)(11)	
PharmaCann, Inc	Senior Secured Note	12.00%	F	12.00%	0.00%	0.00%	6/30/2022	6/30/2025	4,250	4,109	3,974	4.65%	(9)	
<b>Total Cannabis</b>										<b>8,098</b>	<b>8,114</b>	<b>9.49%</b>		
<b>Total Senior Secured U.S. Notes</b>										<b>8,098</b>	<b>8,114</b>	<b>9.49%</b>		
<b>Total U.S. Corporate Debt</b>										<b>53,471</b>	<b>54,120</b>	<b>63.26%</b>		
<b>Total Debt Investments</b>										<b>\$ 53,471</b>	<b>\$ 54,120</b>	<b>63.26%</b>		
<b>Cash &amp; Cash Equivalents</b>														
										<b>Yield</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Net Assets</b>	<b>Tickmark</b>
State Street Institutional US Government Money Market Fund										5.32%	32,612	32,612	38.12%	(12)(13)
<b>Total Cash &amp; Cash Equivalents</b>											<b>32,612</b>	<b>32,612</b>	<b>38.12%</b>	
<b>Total Portfolio Investments and Cash &amp; Cash Equivalents</b>										<b>\$ 86,083</b>	<b>\$ 86,732</b>	<b>101.38%</b>		

**Tickmark Legend**

- (1) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of Financial Accounting Standards Board's Accounting Standards Codification 820 Fair Value Hierarchy.
  - (2) Par is net of repayments, if any, as per the terms of the debt instrument's contract.
  - (3) Generally, the interest rate on floating interest rate investments is at benchmark rate plus spread, subject to an benchmark interest rate floor. The benchmark rate is determined via the Credit or Loan Service Agreement, such as the Secured Overnight Financing Rate ("SOFR") or the U.S. Prime Rate ("PR"). The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. S loans are typically indexed to 30-day, 90-day or 180-day rates (1M, 3M or 6M, respectively) as defined in the Loan Service Agreements. As of December 31, 2023, rates for 1M S, 3M S and 6M S are 5.34%, 5.36%, and 5.35%, respectively. As of December 31, 2023, the P was 8.50%.
  - (4) All investments were valued at fair value. See Note 4 — Fair Value of Financial Instruments in the accompanying notes to the financial statements.
  - (5) The Company uses the North American Industry Classification System ("NAICS") code for classifying the industry grouping of its portfolio companies, excluding any portfolio company operating in the cannabis industry.
  - (6) Indicates a non-income producing investment. As of December 31, 2023, no investments are deemed as non-income producing. All equity and warrant investments are non-income producing as of December 31, 2023 unless otherwise noted.
  - (7) Geographic regions are determined by the respective portfolio company's headquarters' location.
  - (8) Portfolio company located in the Northeast.
  - (9) Portfolio company located in the Midwest.
  - (10) Portfolio company located in the West.
  - (11) The investment is a "non-qualifying asset." Under the Investment Company Act of 1940, as amended (the "1940 Act"), a business development company ("BDC") may not acquire any "non-qualifying asset" (i.e., an asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as "qualifying assets"), unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC's total assets. As of December 31, 2023 the aggregate fair value of non-qualifying assets is \$25,077 or 29.3% of the Company's total assets.
  - (12) The rate shown is the annualized seven-day yield as of December 31, 2023.
  - (13) Included within "Cash and cash equivalents" on the Consolidated Statements of Assets and Liabilities.
  - (14) The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.
- F - Fixed  
P - Prime  
PIK - Payment-In-Kind  
S - SOFR

See notes to financial statements.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 1 — ORGANIZATION**

Chicago Atlantic BDC, Inc. (formerly, Silver Spike Investment Corp.) (an emerging growth company) (the “Company”, “we” or “our”) was formed on January 25, 2021 as a Maryland corporation structured as an externally managed, closed-end, non-diversified management investment company. The Company has elected to be treated as a business development company (“BDC”), under the Investment Company Act of 1940, as amended (“1940 Act”). In addition, for U.S. federal income tax purposes the Company adopted an initial tax year end of December 31, 2021, and was taxed as a corporation for the tax period ended December 31, 2021. The Company adopted the tax year end of March 31 and elected to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) for the tax period January 1, 2022 through March 31, 2022, and has maintained (and intends to continue to maintain) such election in subsequent taxable years. However, there is no guarantee that the Company will qualify to make such an election for any taxable year.

On February 8, 2022, the Company completed its initial public offering (“IPO”) of 6,071,429 shares of its common stock, par value \$0.01, at a price of \$14.00 per share. The Company commenced operations on February 8, 2022, receiving approximately \$83.3 million in total net proceeds from the offering, after deducting estimated offering expenses.

On February 25, 2022, the underwriters of the IPO exercised their option to purchase an additional 142,857 shares of common stock from the Company. The partial exercise of the over-allotment option closed on March 1, 2022, resulting in additional gross proceeds to the Company of approximately \$2 million, before deducting offering expenses payable by the Company.

On February 4, 2022, the Company’s common stock began trading on the Nasdaq Global Market. Since October 2, 2024, the Company’s common stock trades on the Nasdaq Global Market under the symbol “LIEN.”

The Company is managed by Chicago Atlantic BDC Advisers, LLC (formerly, Silver Spike Capital, LLC) (the “Adviser”), a registered investment adviser under the Investment Advisers Act of 1940 with the Securities and Exchange Commission (“SEC”). The Adviser has engaged SS&C Technologies, Inc. and ALPS Fund Services, Inc. (“SS&C”), as sub-administrator, to perform administrative services necessary for the Company to operate.

The Company is a specialty finance company focused on investing in companies in highly complex and highly regulated industries typically underserved by other capital providers, including investing across the cannabis ecosystem through investments in the form of direct loans to privately held cannabis companies. Although the Company focuses on investments in the cannabis industry, the Company may also invest in growth and technology companies, esoteric and asset-based lending opportunities, and liquidity solutions opportunities.

The Company’s investment objective is to maximize risk-adjusted returns on equity for its shareholders. The Company seeks to capitalize on, among other things, what it believes to be nascent cannabis industry growth, and drive return on equity by generating current income from its debt investments and capital appreciation from its equity and equity-related investments. The Company intends to achieve its investment objective by investing primarily in secured debt, unsecured debt, equity warrants and direct equity investments in privately held businesses. The Company intends that its debt investments will often be secured by either a first or second priority lien on the assets of the portfolio company, can include either fixed or floating rate terms and will generally have a term of between three and six years from the original investment date.

On February 20, 2024, the Company announced that the Board of Directors of the Company (the “Board”) unanimously approved an expansion of the Company’s investment strategy to permit investments in companies outside of the cannabis and health and wellness sectors that otherwise meet the Company’s investment criteria. The investment strategy change became effective on April 22, 2024.

On October 1, 2024, the Company completed its previously announced acquisition from Chicago Atlantic Loan Portfolio, LLC (“CALP”) of a portfolio of loans (the “Loan Portfolio”) in exchange for newly issued shares of the Company’s common stock (the “Loan Portfolio Acquisition”), pursuant to the Purchase Agreement, dated as of February 18, 2024, between the Company and CALP (the “Loan Portfolio Acquisition Agreement”). In accordance with the terms of the Loan Portfolio Acquisition Agreement, at the effective time of the Loan Portfolio Acquisition, the Company issued 16,605,372 shares of its common stock to CALP in exchange for the Loan Portfolio, which was determined by the Company to have a fair value of \$219,621,125 as of September 28, 2024. See “Note 12 – Loan Portfolio Acquisition” for further information regarding the Loan Portfolio Acquisition.

On October 1, 2024, the Adviser and Chicago Atlantic BDC Holdings, LLC (together with its affiliates, “Chicago Atlantic”), the investment adviser of CALP, consummated a previously announced transaction pursuant to which a joint venture between Chicago Atlantic and the Adviser has been created to combine and jointly operate the Adviser’s, and a portion of Chicago Atlantic’s, investment management businesses (the “Joint Venture”). As the Joint Venture caused the automatic termination of the prior investment advisory agreement between the Company and the Adviser (the “Prior Investment Advisory Agreement”), a new investment advisory agreement between the Company and the Adviser (the “New Investment Advisory Agreement”), which was approved by the Board, upon the recommendation of its special committee, and the Company’s stockholders, took effect upon the closing of the Joint Venture. The New Investment Advisory Agreement has the same base management and incentive fee as, and otherwise does not materially differ from, the Prior Investment Advisory Agreement.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company entered into a new license agreement (the “New License Agreement”) with the Adviser pursuant to which the Adviser has agreed to grant the Company a nonexclusive, royalty-free license to use the name “Chicago Atlantic.” Under the New License Agreement, the Company will have a right to use the “Chicago Atlantic” name, for so long as the Adviser or one of its affiliates remains the Company’s investment adviser. Other than with respect to this limited license, the Company will have no legal right to the “Chicago Atlantic” name. The New License Agreement does not materially differ from the prior license agreement between the Company and the Adviser, other than with respect to the licensed name.

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company and the Adviser entered into an expense limitation agreement (the “Expense Limitation Agreement”) pursuant to which the Adviser has agreed to cap the Company’s operating expenses (excluding base management fees, incentive fees, expenses related to the Loan Portfolio Acquisition, and litigation and indemnification expenses) at an annualized rate of 2.15% of the Company’s net assets through September 30, 2025. On February 14, 2025, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that any interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

In connection with the Loan Portfolio Acquisition and the Joint Venture, the Board and the officers of the Company changed as follows: (i) Frederick C. Herbst (Independent Director), John Mazarakis (Partner at Chicago Atlantic), and Jason Papastavrou (Independent Director) joined the Board, to serve until the 2025, 2026, and 2027 annual meetings of stockholders, respectively, and until their respective successors are duly elected and qualified; (ii) Andreas Bodmeier (Partner at Chicago Atlantic) replaced Mr. Gordon as Chief Executive Officer of the Company; (iii) Mr. Gordon became Executive Chairman of the Board and Co-Chief Investment Officer of the Company; (iv) Umesh Mahajan became Co-Chief Investment Officer of the Company in addition to remaining Chief Financial Officer and Secretary of the Company; and (v) Dino Colonna (Partner at the Adviser) became the President of the Company. Each officer of the Company will serve until his successor has been duly elected and qualified, or until the earlier of his resignation or removal.

In addition, in connection with the Loan Portfolio Acquisition and the Joint Venture, the Company has been renamed “Chicago Atlantic BDC, Inc.,” and its ticker symbol has been changed to “LIEN,” and the Adviser has been renamed “Chicago Atlantic BDC Advisers, LLC.” The changes to the Company’s name and ticker symbol became effective in the market at the open of business on October 2, 2024.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES*****Basis of Presentation***

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company is an investment company following the accounting and reporting requirements set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services—Investment Companies* and Articles 6 and 12 of Regulation S-X. The financial statements reflect all adjustments and reclassification that, in the opinion of management, are necessary for the fair presentation of results of operations and financial condition as of and for the periods presented.

***Reclassifications***

Certain reclassifications have been made in the presentation of prior year financial statements and accompanying notes to conform to the presentation as of and for the year ended December 31, 2024.

***Use of Estimates***

The preparation of the financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions affecting reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, and gains and losses during the reported period. These estimates are based on the information that is currently available to the Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions and conditions.

***Cash and Cash Equivalents***

Cash and cash equivalents consists of funds deposited with financial institutions and short-term (maturity of 90 days or less) liquid investments and money market funds. Funds held in money market funds are considered Level 1 in the fair value hierarchy in accordance with ASC 820. Cash held in demand deposit accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit. The Company has not incurred any losses on these accounts, and the credit risk exposure is mitigated by the financial strength of the banking institution where the accounts are held. As of December 31, 2024 and December 31, 2023, cash and cash equivalents consisted of \$23.9 million and \$32.6 million, respectively, all of which is held in the State Street Institutional U.S. Government Money Market Fund.

***Investment Transactions***

Investment transactions are recorded on trade date. Realized gains or losses are recognized as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include investments written off during the period, net of recoveries. Current-period changes in the fair value of investments are reflected as a component of the net change in unrealized appreciation (depreciation) from investments on the Statements of Operations. The net change in unrealized appreciation (depreciation) primarily reflects the change in fair value of investments as of the last business day of the reporting period, including the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period.

Investments traded but not yet settled, if any, are reported in payable for investments purchased and receivable for investments sold on the Statements of Assets and Liabilities.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**Investment Valuation**

The Company's investments are recorded at their estimated fair value on the Statements of Assets and Liabilities.

Investments for which market quotations are readily available will typically be valued at the bid price of those market quotations. To validate market quotations, we utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the Adviser, as the Company's valuation designee (the "Valuation Designee"), based on inputs that may include valuations, or ranges of valuations, provided by independent third-party valuation firm(s) engaged by the Adviser. Generally, the valuation approach used for debt investments is the income approach. The approach derives a value based on either determining the present value of a projected level of cash flow, including a terminal value, or by the capitalization of a normalized measure of future cash flow. The discounted cash flow ("DCF") method, one of the methodologies under the income approach, involves estimating future cash flows under various scenarios and discounting them to the measurement date. The discount rate represents a return required by a market participant in order to make an investment in the subject company.

Alternatively, the market approach or asset approach may be used. The market approach is a way of determining a value indication by using one or more methods that compare the portfolio company to similar businesses. Value indicators are applied to relevant financial information of the entity being valued to estimate its fair value. There are two methodologies to consider under the market approach: the guideline public company method ("GPC") and the controlling transaction method ("CTM"). The GPC method is based on the premise that the pricing multiples of comparable publicly traded companies can be used as a tool to value privately held companies. The publicly traded companies' ratios and business enterprise value provide guidance in the valuation process. Considerations of factors such as size, growth, profitability and return on investment are also analyzed and compared to the subject business. The CTM is based on the same premise as the GPC. Guideline transactions include change-of-control transactions involving public or private businesses for companies engaged in similar lines of business or with similar economic characteristics. The valuation considers the price at which the merger or acquisition took place to other factors in order to create a pricing multiple that can be used to determine an estimate of value for the subject company.

The asset approach provides an indication of the portfolio company's value by developing a valuation-based balance sheet. This approach requires adjusting the historical assets and liabilities listed on the U.S. GAAP-based balance sheet to estimated fair values. The excess of assets over liabilities represents the tangible value of the business enterprise. The asset approach does not consider the relevant earnings capacity of a going concern business.

Pursuant to Rule 2a-5 under the 1940 Act, the Board designated the Adviser as the Valuation Designee to perform the fair value determinations for the Company, subject to the oversight of the Board and certain Board reporting and other requirements.

As part of the valuation process, the Adviser takes into account relevant factors in determining the fair value of our investments, including: the estimated enterprise value of a portfolio company (i.e., the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments based on its earnings and cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, and overall changes in the interest rate environment and the credit markets. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Adviser considers whether the pricing indicated by the external event corroborates its valuation.

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- With respect to investments for which market quotations are readily available, those investments will typically be valued at the bid price of those market quotations;
- With respect to investments for which market quotations are not readily available, the valuation process begins with the Adviser's valuation committee establishing a preliminary valuation of each investment, which may be based on valuations, or ranges of valuations, provided by independent valuation firm(s);
- Preliminary valuations are documented and discussed by the Adviser's valuation committee and, where appropriate, the independent valuation firm(s); and
- The Adviser determines the fair value of each investment.

We conduct this valuation process on a quarterly basis.

We apply FASB ASC Topic 820 - *Fair Value Measurement* ("ASC 820"), which establishes a framework for measuring fair value in accordance with U.S. GAAP and required disclosures of fair value measurements. ASC 820 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. Market participants are defined as buyers and sellers in the principal or most advantageous market (which may be a hypothetical market) that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820, we consider the principal market to be the market that has the greatest volume and level of activity. ASC 820 specifies a fair value hierarchy that prioritizes and ranks the level of observability of inputs used in determination of fair value. In accordance with ASC 820, these levels are summarized below:

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

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

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If we were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected previously.

***Equity Securities and Warrants***

The Company may be issued warrants by portfolio companies as yield enhancements in connection with a related debt investment. These warrants are recorded as assets at estimated fair value on the grant date. The Company determines the cost basis of the warrants or other equity securities received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity securities received. Depending on the facts and circumstances, the Company generally utilizes a combination of one or several forms of the market approach and contingent claim analyses (a form of option analysis) to estimate the fair value of the securities as of the measurement date and determines the cost basis using a relative fair value methodology. As part of its application of the market approach, the Company estimates the enterprise value of a portfolio company utilizing customary pricing multiples, based on the development stage of the underlying issuers, or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations that are assessed to be indicative of fair value of the respective portfolio company. If appropriate, based on the facts and circumstances, the Company performs an allocation of the enterprise value to the equity securities utilizing a contingent claim analysis and/or other waterfall calculation by which it allocates the enterprise value across the portfolio company's warrants and other equity securities in order of their preference relative to one another.

***Earnings per share***

Basic earnings per share is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted-average number of common shares outstanding for the period. Other potentially dilutive common shares, and the related impact to earnings are considered when calculating earnings per share on a diluted basis using the treasury stock method.

***Revenue Recognition***

***Interest Income***

Interest income is recorded on an accrual basis and includes accretion and amortization of discounts or premiums, respectively. Discounts and premiums to par value on securities purchased are accreted and amortized, respectively, into interest income over the contractual life of the respective security using the effective yield method. The amortized cost of investments includes the original cost adjusted for the accretion and amortization of discounts and premiums, respectively. Upon prepayment of a loan or debt security, any prepayment premiums and unamortized discounts or premiums are recorded as interest income.

Certain investments may have contractual PIK interest or dividends. PIK interest or dividends represents accrued interest or dividends that is added to the principal amount of the investment on the respective interest or dividend payment dates rather than being paid in cash and generally becomes due at maturity.

***Dividend Income***

Dividend income on preferred equity securities is recorded on the accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

***Fee Income***

All transaction fees earned in connection with our investments are recognized as fee income and are generally non-recurring. Such fees typically include fees for services, including administrative, structuring (including with respect to amendments) and advisory services, provided to portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions are completed, and payment is received (generally immediately).

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**Non-Accrual Policy**

When a debt security becomes 90 days or more past due, or if management otherwise does not expect that principal, interest, and other obligations due will be collected in full, the Company will generally place the debt security on non-accrual status and cease recognizing interest income on that debt security until all principal and interest due has been paid or the Company believes the borrower has demonstrated the ability to repay its current and future contractual obligations. Any interest receivable is reversed from income in the period that a loan is placed on non-accrual. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. If PIK interest or dividends are not expected to be realized by the Company, the investment generating PIK interest or dividends will be placed on non-accrual status. When an investment with PIK is placed on non-accrual status, the accrued, uncapitalized interest or dividends are generally reversed through interest or dividend income, respectively. As of December 31, 2024 and December 31, 2023, there were no investments placed on non-accrual status.

**Unearned Revenue**

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, and the debt coverage provided by the pledged collateral. It is the Company's policy to recognize income for this interest component as long as the subject loan is performing as originally projected and if there has been no deterioration in the financial condition of the borrower. The Company's standard accounting policies for interest income recognition are applied to all loans, including those with interest reserves. As of December 31, 2024 and December 31, 2023, the Company recorded \$37,752 and \$0, respectively, of prepaid interest reserves, which are presented as unearned interest income on the Statements of Assets and Liabilities.

**Income Taxes**

The Company adopted an initial tax year end of December 31, 2021 and was taxed as a corporation for U.S. federal income tax purposes for the tax period ended December 31, 2021. The Company adopted the tax year end of March 31 and elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code for the tax period January 1, 2022 through March 31, 2022 and in subsequent years. The Company intends to maintain such election in the current and future taxable years. To maintain its tax treatment as a RIC, the Company must meet specified source-of-income and asset diversification requirements and timely distribute to its stockholders for each taxable year at least 90% of its investment company taxable income. In order for the Company not to be subject to U.S. federal excise taxes, it must distribute annually an amount at least equal to the sum of (i) 98% of its net ordinary income for the calendar year, (ii) 98.2% of its capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (iii) any net ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. The Company, at its discretion (subject to the requirement to distribute 90% of its investment company taxable income as described above), may carry forward taxable income in excess of calendar year dividends and pay a 4% nondeductible U.S. federal excise tax on this income. If the Company chooses to do so, this generally would increase expenses and reduce the amount available to be distributed to stockholders. For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company accrued excise taxes of \$120,024, \$10,655, and \$80,566, respectively. As of December 31, 2024 and December 31, 2023, \$88,709 and \$10,655, respectively, of accrued excise taxes remained payable.

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"). Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense.

Based on the analysis of the Company's tax position, the Company has no uncertain tax positions that met the recognition or measurement criteria as of December 31, 2024 and December 31, 2023. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The Company identifies its major tax jurisdiction as the United States. As of December 31, 2024, the tax years that remain subject to examination by the Internal Revenue Service are from 2022 (commencement of operations) forward.

**Distributions**

Distributions to common stockholders are recorded on the record date. The amount of taxable income to be paid out as a distribution is determined by our Board on a quarterly basis and is generally based upon the future taxable income estimated by management. Capital gains, if any, are distributed at least annually, although the Company may decide to retain all or some of those capital gains for investment and pay U.S. federal income tax at corporate rates on those retained amounts. If the Company chooses to do so, this generally will increase expenses and reduce the amount available to be distributed to stockholders. Our distributions may exceed our earnings, and therefore, portions of the distributions that we make may be a return of the money originally invested and represent a return of capital distribution to shareholders for tax purposes.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**Offering Costs**

These costs consist primarily of legal fees and other costs incurred in connection with issuances of the Company's common stock, including the preparation of the Company's registration statement, registration fees, transfer agent expenses, and other expenses relating to the offering. Offering costs are capitalized as deferred offering costs and, if any, are included in prepaid expenses and other assets on the Statements of Assets and Liabilities. As of December 31, 2024 and December 31, 2023, deferred offering costs were \$49,998 and \$0, respectively.

The deferred offering costs were charged to capital upon the issuance of shares subsequent to the completion of the Loan Portfolio Acquisition. For the year ended December 31, 2024, \$1,214,375 of offering costs were charged to capital. For the year ended December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, there were no offering costs charged to capital. As of December 31, 2024 and December 31, 2023, there were \$989,645 and \$0, respectively, of offering costs payable by the Company.

**Transaction expenses related to the Loan Portfolio Acquisition**

Cumulative transaction expenses related to the Loan Portfolio Acquisition through December 31, 2024 and December 31, 2023 were \$6,053,043 and \$711,264, respectively, and consisted primarily of legal fees and valuation fees. See "Note 13 – Loan Portfolio Acquisition" for further information regarding the Loan Portfolio Acquisition.

For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company incurred transaction expenses related to the Loan Portfolio Acquisition of \$5,341,779, \$711,264 and \$0, respectively. As of December 31, 2024 and December 31, 2023, \$2,945,125 and \$711,264, respectively, of transaction expenses related to the Loan Portfolio Acquisition remained payable, and are included in transaction fees payable on the Statements of Assets and Liabilities.

**Deferred Financing Costs**

Deferred financing costs consist of origination expenses incurred in connection with the closing, or anticipated closing, of a credit facility, and may include legal, accounting, and other related expenses. These costs are deferred and amortized as interest expense using the straight-line method over the term of the applicable credit facility. Deferred financing costs, if any, are included in prepaid expenses and other assets on the Statements of Assets and Liabilities. As of December 31, 2024 and December 31, 2023, deferred financing costs were \$47,881 and \$0, respectively.

**New Accounting Standards**

On January 1, 2024, the Company adopted FASB 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. The Company adopted ASU 2023-07 effective December 31, 2024 and concluded that the application of this guidance did not have any material impact on its consolidated financial statements. Refer to Note 12 for more information on the effects of the adoption of ASU 2023-07.

In December 2023, the FASB issued Accounting Standard Update ("ASU") No. 2023-09, "Income Taxes (Topic 740): *Improvements to Income Tax Disclosures* ("ASU 2023-09"), which improves the transparency of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. We are currently evaluating the impact this ASU will have on our financial position and disclosures, but we do not believe that the Company will be materially impacted by the adoption of ASU 2023-09.

Chicago Atlantic BDC, Inc.  
Notes to Financial Statements

NOTE 3 — INVESTMENTS

The Company's investments in portfolio companies are primarily in the form of debt investments, but may include equity warrants received in connection with debt investments, direct equity investments and derivative investments.

The following tables summarize the composition of the Company's portfolio investments by investment type as of December 31, 2024 and December 31, 2023.

Investment Type	As of December 31, 2024						
	Principal Balance	Percentage at Principal Balance	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value	
First Lien Senior Secured Loans	\$ 242,269,725	87.3%	\$ 239,036,463	87.1%	\$ 239,860,206	87.1%	
Senior Secured Notes	35,147,669	12.7	34,567,422	12.6	34,656,192	12.6	
Preferred Stock	-	-	500,000	0.2	500,000	0.2	
Warrants	-	-	242,826	0.1	225,000	0.1	
<b>Total</b>	<b>\$ 277,417,394</b>	<b>100.0%</b>	<b>\$ 274,346,711</b>	<b>100.0%</b>	<b>\$ 275,241,398</b>	<b>100.0%</b>	

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

Investment Type	As of December 31, 2023						
	Principal Balance	Percentage at Principal Balance	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value	
First Lien Senior Secured Loans	46,322,064	84.0%	45,372,626	84.9%	46,006,000	85.0%	
Senior Secured Notes	8,750,000	16.0	8,098,691	15.1%	8,114,000	15.0	
<b>Total</b>	<b>55,072,064</b>	<b>100.0%</b>	<b>53,471,317</b>	<b>100.0%</b>	<b>54,120,000</b>	<b>100.0%</b>	

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

The following tables summarize the composition of the Company's debt portfolio based on rate characteristics as of December 31, 2024 and December 31, 2023.

Rate Type	As of December 31, 2024				
	Principal Balance	Amortized Cost <sup>(1)</sup>	Fair Value	Time to Maturity	
Fixed-rate loans	\$ 56,819,862	\$ 55,954,923	\$ 56,158,027	2.6 years	
Floating-rate loans (SOFR)	15,543,708	15,134,388	15,209,230	1.4 years	
Floating-rate loans (Prime)	205,053,824	202,514,574	203,149,141	1.6 years	
<b>Total Debt Investments</b>	<b>\$ 277,417,394</b>	<b>\$ 273,603,885</b>	<b>\$ 274,516,398</b>		

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

Rate Type	As of December 31, 2023				
	Principal Balance	Amortized Cost <sup>(1)</sup>	Fair Value	Time to Maturity	
Fixed-rate loans	\$ 8,750,000	\$ 8,098,691	\$ 8,114,000	2.2 years	
Floating-rate loans (Prime)	46,322,064	45,372,626	46,006,000	2.6 years	
<b>Total Debt Investments</b>	<b>\$ 55,072,064</b>	<b>\$ 53,471,317</b>	<b>\$ 54,120,000</b>		

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

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The Company's portfolio investments are primarily in companies conducting business in or supporting the cannabis industries. The Company uses NAICS for classifying the industry groupings of its portfolio companies, excluding any portfolio company operating in the cannabis industry. The following tables summarize the composition of the Company's portfolio investments by industry as of December 31, 2024 and December 31, 2023.

Industry	As of December 31, 2024			
	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
Cannabis	\$ 210,144,841	76.6%	\$ 211,007,307	76.7%
Finance and Insurance	30,866,942	11.3	30,907,369	11.2
Information	14,873,810	5.4	14,754,624	5.4
Public Administration	10,273,444	3.7	10,322,928	3.8
Retail Trade	3,285,390	1.2	3,275,125	1.2
Health Care and Social Assistance	2,753,852	1.0	2,796,946	1.0
Real Estate and Rental and Leasing	2,148,432	0.8	2,177,099	0.7
Total	\$ 274,346,711	100.0%	\$ 275,241,398	100.0%

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

Industry	As of December 31, 2023			
	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
Cannabis	\$ 53,471,317	100.0%	\$ 54,120,000	100.0%
Total	\$ 53,471,317	100.0%	\$ 54,120,000	100.0%

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

The geographic composition is determined by the location of the principal place of business of each portfolio company. Geographic regions are defined as: West, for the states of WA, OR, ID, MT, WY, CO, AK, HI, UT, NV and CA; Midwest, for the states ND, SD, NE, KS, MO, IA, MN, WI, MI, IL, IN and OH; Northeast, for the states PA, NJ, NY, CT, RI, MA, VT, NH and ME; Southeast, for the states of AR, LA, MS, TN, KY, AL, FL, GA, SC, NC, VA, DE, WV and MD; and Southwest, for the states of AZ, NM, TX and OK.

The following tables summarize the composition of the Company's portfolio investments by geographic region as of December 31, 2024 and December 31, 2023.

Geographic Region	As of December 31, 2024			
	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
<b>United States:</b>				
Midwest	\$ 88,999,405	32.4%	\$ 89,624,122	32.6%
West	86,686,279	31.6%	86,660,218	31.5%
Northeast	52,963,212	19.3%	53,223,047	19.3%
Southwest	21,980,052	8.0%	22,000,000	8.0%
Southeast	20,703,496	7.6%	20,749,887	7.5%
<b>International:</b>				
Canada	3,014,267	1.1%	2,984,124	1.1%
Total	\$ 274,346,711	100.0%	\$ 275,241,398	100.0%

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

Geographic Region	As of December 31, 2023			
	Amortized Cost <sup>(1)</sup>	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
<b>United States:</b>				
West	24,910,798	46.5%	25,069,000	46.4%
Midwest	24,571,197	46.0%	24,911,000	46.0%
Northeast	3,989,322	7.5%	4,140,000	7.6%
Total	\$ 53,471,317	100.0%	\$ 54,120,000	100.0%

(1)The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest or dividends.

**Certain Risk Factors**

In the ordinary course of business, the Company manages a variety of risks including market risk, concentration risk, credit risk, liquidity risk, interest rate risk, prepayment risk, risks associated with financial, economic and other global market developments and disruptions, including those arising from war, terrorism, market manipulation, government interventions, defaults and shutdowns, political changes or diplomatic developments, public health emergencies (such as the spread of infectious diseases, pandemics and epidemics) and natural/environmental disasters, which can all negatively impact the securities markets generally. These events can also impair the technology and other operational systems upon which the Company's service providers rely and could otherwise disrupt the Company's service providers' ability to fulfill their obligations to the Company. The Company identifies, measures and monitors risk through various control mechanisms, including trading limits and diversifying exposures and activities across a variety of instruments, markets and counterparties.

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Market risk is the risk of potential adverse changes to the value of financial instruments because of changes in market conditions, including as a result of changes in the credit quality of a particular issuer, credit spreads, interest rates, and other movements and volatility in security prices or commodities. In particular, the Company may invest in issuers that are experiencing or have experienced financial or business difficulties (including difficulties resulting from the initiation or prospect of significant litigation or bankruptcy proceedings), which involves significant risks. The Company manages its exposure to market risk through the use of risk management strategies and various analytical monitoring techniques.

Concentration risk is the risk that the Company's focus on investments in cannabis companies may subject the Company to greater price volatility and risk of loss as a result of adverse economic, business or other developments affecting cannabis companies than funds investing in a broader range of industries or sectors. At times, the performance of investments in cannabis companies will lag the performance of other industries or sectors or the broader market as a whole. Investing in portfolio companies involved in the cannabis industry subjects us to the following risks:

- The cannabis industry is extremely speculative and raises a host of legality issues, making it subject to inherent risk;
- The manufacture, distribution, sale, or possession of cannabis that is not in compliance with the U.S. Controlled Substances Act is illegal under U.S. federal law. Strict enforcement of U.S. federal laws regarding cannabis would likely result in our portfolio companies' inability to execute a business plan in the cannabis industry, and could result in the loss of all or part of any of our loans;
- The current Presidential Administration's or specifically the U.S. Department of Justice's change in policies or enforcement with respect to U.S. federal cannabis laws could negatively impact our portfolio companies' ability to pursue their prospective business operations and/or generate revenues;
- U.S. federal courts may refuse to recognize the enforceability of contracts pertaining to any business operations that are deemed illegal under U.S. federal law, including cannabis companies operating legally under state law;
- Consumer complaints and negative publicity regarding cannabis-related products and services could lead to political pressure on states to implement new laws and regulations that are adverse to the cannabis industry, to not modify existing, restrictive laws and regulations, or to reverse current favorable laws and regulations relating to cannabis;
- Assets collateralizing loans to cannabis businesses may be forfeited to the U.S. federal government in connection with government enforcement actions under U.S. federal law;
- U.S. Food and Drug Administration regulation of cannabis and the possible registration of facilities where cannabis is grown could negatively affect the cannabis industry, which could directly affect our financial condition and the financial condition of our portfolio companies;
- Due to our proposed strategy of investing in portfolio companies engaged in the regulated cannabis industry, our portfolio companies may have a difficult time obtaining the various insurance policies that are needed to operate such businesses, which may expose us and our portfolio companies to additional risks and financial liabilities;
- The cannabis industry may face significant opposition from other industries that perceive cannabis products and services as competitive with their own, including but not limited to the pharmaceutical industry, adult beverage industry and tobacco industry, all of which have powerful lobbying and financial resources;
- Many national and regional banks have been resistant to doing business with cannabis companies because of the uncertainties presented by federal law and, as a result, we or our portfolio companies may have difficulty borrowing from or otherwise accessing the service of banks, which may inhibit our ability to open bank accounts or otherwise utilize traditional banking services;
- Due to our proposed strategy of investing in portfolio companies engaged in the regulated cannabis industry, we or our portfolio companies may have a difficult time obtaining financing in connection with our investment strategy; and
- Laws and regulations affecting the regulated cannabis industry are varied, broad in scope and subject to evolving interpretations, and may restrict the use of the properties our portfolio companies acquire or require certain additional regulatory approvals, which could materially adversely affect our investments in such portfolio companies.

As of December 31, 2024 and December 31, 2023, we had three portfolio companies that represented 45.1% and 85.0%, respectively, of the fair values of our portfolio. As of December 31, 2024 and December 31, 2023, our largest portfolio company represented 18.9% and 38.7%, respectively, of the total fair values of our investments in portfolio companies.

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Any of the foregoing could have an adverse impact on our and our portfolio companies' businesses, financial condition and results of operations.

Credit risk is the risk that a decline in the credit quality of an investment could cause the Company to lose money. The Company could lose money if the issuer or guarantor of a portfolio security fails to make timely payment or otherwise honor its obligations. Fixed income securities rated below investment grade (high-yield bonds) involve greater risks of default or downgrade and are generally more volatile than investment grade securities. Below investment grade securities involve greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. In addition, issuers of below investment grade securities may be more susceptible than other issuers to economic downturns. Such securities are subject to the risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity. Discontinuation of these payments could substantially adversely affect the market value of the security.

The Company's investments may, at any time, include securities and other financial instruments or obligations that are illiquid or thinly traded, making purchase or sale of such securities and financial instruments at desired prices or in desired quantities difficult. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

Interest rate risk refers to the change in earnings that may result from changes in the level of interest rates. To the extent that the Company borrows money to make investments, including under any credit facility, net investment income (loss) will be affected by the difference between the rate at which the Company borrows funds and the rate at which the Company invests these funds. In periods of rising interest rates, the Company's cost of borrowing funds would increase, which may reduce net investment income (loss). As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on net investment income (loss).

Prepayment risk is the risk that a loan in the Company's portfolio will prepay due to the existence of favorable financing market conditions that allow the portfolio company the ability to replace existing financing with less expensive capital. As market conditions change, prepayment may be possible for each portfolio company. In some cases, the prepayment of a loan may reduce the Company's achievable yield if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations.

**NOTE 4 — FAIR VALUE OF FINANCIAL INSTRUMENTS**

ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The Company accounts for its investments at fair value. As of December 31, 2024 and December 31, 2023, the Company's portfolio investments consisted primarily of investments in secured loans and secured notes. The fair value amounts have been measured as of the reporting date and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the fair values of these financial instruments subsequent to the reporting date may be different than amounts reported.

The fair value determination of each portfolio investment categorized as Level 3 required one or more unobservable inputs.

The use of significant unobservable inputs creates uncertainty in the measurement of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Company's debt investments may vary and may include debt investments' yield (i.e. discount rate) and volatility assumptions. The significant unobservable inputs used in the fair value measurement of the Company's equity and warrant investments may vary and may include EBITDA multiples, revenue multiples and asset multiples.

The Company's investments measured at fair value by investment type on a recurring basis as of December 31, 2024 and December 31, 2023 were as follows:

	<b>Fair Value Measurements at December 31, 2024 Using</b>			
	<b>Quoted prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>Assets</b>				
First Lien Senior Secured Loans	\$ -	\$ -	\$ 239,860,206	\$ 239,860,206
Senior Secured Notes	-	-	34,656,192	34,656,192
Preferred Stock	-	-	500,000	500,000
Warrants	-	-	225,000	225,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 275,241,398</b>	<b>\$ 275,241,398</b>

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Fair Value Measurements at December 31, 2023 Using

Assets	Fair Value Measurements at December 31, 2023 Using			Total
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
First Lien Senior Secured Loans	\$ -	\$ -	\$ 46,006,000	\$ 46,006,000
Senior Secured Notes	-	-	8,114,000	8,114,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,120,000</b>	<b>\$ 54,120,000</b>

The following tables provide a summary of the significant unobservable inputs used to fair value the Level 3 portfolio investments as of December 31, 2024 and December 31, 2023. The methodology for the determination of the fair value of the Company's investments is discussed in "Note 2 – Significant Accounting Policies". Discount rate ranges are shown as spread over PRIME, SOFR and/or Treasuries, as applicable, for senior secured first lien term loans, as of December 31, 2024 and December 31, 2023.

Investment Type	Fair Value as of 12/31/2024	Valuation Techniques/Methodologies	Unobservable Input	Range	Weighted Average (1)
First Lien Senior Secured Loans	\$ 239,860,206	Discounted Cash Flow	Discount Rate	9.1% - 28.6%	13.4%
Senior Secured Notes	34,656,192	Discounted Cash Flow	Discount Rate	7.4% - 17.2%	11.5%
Preferred stock	500,000	Market Approach	Current Value	2.50x	2.50x
Warrants	225,000	Option Pricing Model	Volatility Factor	47.2 %	47.2 %
<b>Total</b>	<b>\$ 275,241,398</b>				

(1) The weighted average is calculated based on the fair value of each investment.

Investment Type	Fair Value as of 12/31/2023	Valuation Techniques/Methodologies	Unobservable Input	Range	Weighted Average (1)
First Lien Senior Secured Loans	\$ 46,006,000	Discounted Cash Flow	Discount Rate	10.4% - 14.0%	12.20%
Senior Secured Notes	8,114,000	Discounted Cash Flow	Discount Rate	7.4% - 13.7%	10.50%
<b>Total</b>	<b>\$ 54,120,000</b>				

(1) The weighted average is calculated based on the fair value of each investment.

Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value assessment. Significant increases (decreases) in volatility in isolation would result in a significantly lower (higher) fair value assessment.

The following tables provide a summary of changes in the fair value of the Company's Level 3 portfolio investments for the years ended December 31, 2024 and December 31, 2023:

	First Lien Senior Secured Debt	Senior Secured Notes	Preferred Stock	Warrants	Total
Balance as of December 31, 2023	\$ 46,006,000	\$ 8,114,000	\$ -	\$ -	\$ 54,120,000
Purchase of investments	209,436,202	30,336,610	500,000	242,826	240,515,638
Net (accretion of discounts) and amortization of premiums	836,005	265,290	-	-	1,101,295
PIK interest capitalized	679,962	63,813	-	-	743,775
Proceeds from sales of investments and principal repayments	(17,288,331)	(4,122,500)	-	-	(21,410,831)
Net realized gain (loss) on investments	-	(74,483)	-	-	(74,483)
Net change in unrealized appreciation (depreciation) on investments	190,368	73,462	-	(17,826)	246,004
Balance as of December 31, 2024	<u>\$ 239,860,206</u>	<u>\$ 34,656,192</u>	<u>\$ 500,000</u>	<u>\$ 225,000</u>	<u>\$ 275,241,398</u>
Net change in unrealized appreciation/depreciation on Level 3 investments still held as of December 31, 2024	<u>\$ 190,368</u>	<u>\$ 73,462</u>	<u>\$ -</u>	<u>\$ (17,826)</u>	<u>\$ 246,004</u>

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	First Lien Senior Secured Debt	Senior Secured Notes	Total
Balance as of December 31, 2022	\$ 40,660,633	\$ 9,593,917	\$ 50,254,550
Purchase of investments	8,442,000	-	8,442,000
Net (accretion of discounts) and amortization of premiums	557,079	253,475	810,554
PIK interest capitalized	115,725	-	115,725
Proceeds from sales of investments and principal repayments	(4,614,093)	(1,600,000)	(6,214,093)
Net realized gain (loss) on investments	-	(210,767)	(210,767)
Net change in unrealized appreciation (depreciation) on investments	844,656	77,375	922,031
Balance as of December 31, 2023	<u>\$ 46,006,000</u>	<u>\$ 8,114,000</u>	<u>\$ 54,120,000</u>
Net change in unrealized appreciation/depreciation on Level 3 investments still held as of December 31, 2023	<u>\$ 844,656</u>	<u>\$ 77,375</u>	<u>\$ 922,031</u>

**NOTE 5 — RELATED PARTY TRANSACTIONS**

*Investment Advisory Agreement*

Pursuant to the investment advisory agreement between the Company and the Adviser (the "Investment Advisory Agreement"), fees payable to the Adviser are equal to (a) a base management fee of 1.75% of the average value of the Company's gross assets at the end of the two most recent quarters (i.e., total assets held before deduction of any liabilities), which includes investments acquired with the use of leverage and excludes cash and cash equivalents and (b) an incentive fee based on the Company's performance.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of the Company's "Pre-Incentive Fee Net Investment Income" for the quarter, subject to a preferred return, or "hurdle," of 1.75% per quarter (7% annualized), and a "catch-up" feature. The second part is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement) and equals 20% of the Company's realized capital gains on a cumulative basis from inception through the end of the fiscal year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee (the "Incentive Fee on Capital Gains"). While the Investment Advisory Agreement neither includes nor contemplates the inclusion of unrealized gains in the calculation of the Incentive Fee on Capital Gains, as required by U.S. GAAP, we accrue the Incentive Fee on Capital Gains on unrealized capital appreciation exceeding unrealized depreciation. This accrual reflects the Incentive Fee on Capital Gains that would be payable to the Adviser if the Company's entire investment portfolio was liquidated at its fair value as of the balance sheet date even though the Adviser is not entitled to an Incentive Fee on Capital Gains with respect to unrealized capital appreciation unless and until such gains are actually realized.

The management fee is payable quarterly in arrears. For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company incurred \$1,504,239, \$1,013,764 and \$336,432, respectively, of management fees. As of December 31, 2024 and December 31, 2023, \$758,362 and \$257,121, respectively, remained payable on the Statements of Assets and Liabilities. For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company incurred \$2,327,448, \$1,511,253 and \$0, respectively, of income based incentive fees. As of December 31, 2024 and December 31, 2023, \$1,998,945 and \$1,511,253, respectively, remained payable on the Statements of Assets and Liabilities. For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company incurred \$34,304, \$87,583 and \$0, respectively, of capital gains incentive fees. As of December 31, 2024 and December 31, 2023, \$121,887 and \$87,583, respectively, remained payable on the Statements of Assets and Liabilities.

*Expense Limitation Agreement*

On October 1, 2024, in connection with the New Investment Advisory Agreement, the Company and the Adviser entered into an expense limitation agreement (the "Expense Limitation Agreement") pursuant to which the Adviser has agreed to cap the Company's operating expenses (excluding base management fees, incentive fees, expenses related to the Loan Portfolio Acquisition, and litigation and indemnification expenses) at an annualized rate of 2.15% of the Company's net assets through the period ending September 30, 2025.

On February 14, 2025, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that any interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

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*Administration Agreement*

Pursuant to the administration agreement between the Company and the Adviser (the “Administration Agreement”), the Company is to reimburse the Adviser for the costs and expenses incurred by the Adviser in performing its obligations, including but not limited to maintaining and keeping all books and records and providing personnel and facilities. This includes costs and expenses incurred by the Adviser in connection with the delegation of its obligations to SS&C, the sub-administrator. The Company is generally not responsible for the compensation of the Adviser’s employees or any overhead expenses. However, we may reimburse the Adviser for an allocable portion of the compensation paid by the Adviser to our CCO and CFO and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs).

*License Agreement*

The Company has also entered into a license agreement with the Adviser pursuant to which the Adviser has agreed to grant the Company a nonexclusive, royalty-free license to use the name “Chicago Atlantic.” Under this agreement, the Company will have a right to use the “Chicago Atlantic” name, for so long as the Adviser or one of its affiliates remains the Company’s investment adviser. Other than with respect to this limited license, the Company will have no legal right to the “Chicago Atlantic” name.

*Related Party Fees & Expenses*

The following table summarizes the related parties fees and expenses incurred by the Company for the years ended December 31, 2024 and December 31, 2023 and for the period from April 1, 2022 through December 31, 2022.

	For the years ended December 31,		For the period from April 1, 2022 through December 31, 2022*
	2024	2023	
<b>Affiliate Payments</b>			
Income-based incentive fees	\$ 2,327,448	\$ 1,511,253	\$ -
Management fee	1,504,239	1,013,764	336,432
Capital gains incentive fees	34,304	87,583	-
Total management and incentive fees earned	<u>\$ 3,865,991</u>	<u>\$ 2,612,600</u>	<u>\$ 336,432</u>
General and administrative expenses reimbursable to the Adviser	700,000	-	-
<b>Total</b>	<u><u>\$ 4,565,991</u></u>	<u><u>\$ 2,612,600</u></u>	<u><u>\$ 336,432</u></u>

\* On November 8, 2022, our Board approved a change in our fiscal year end from March 31 to December 31.

General administrative expenses reimbursable to the Adviser are included in due to affiliates on the accompanying Statements of Assets and Liabilities as of December 31, 2024 and December 31, 2023. Total amounts payable to the Adviser and its affiliates as of December 31, 2024 are \$905,129, of which \$820,797 and \$84,332, represent general and administrative expenses reimbursable to the Adviser and amounts due to Chicago Atlantic Admin, LLC, respectively. There were no amounts payable as of December 31, 2023.

For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company reimbursed the Adviser \$102,828, \$6,192 and \$12,145, respectively, for expenses paid on the Company’s behalf.

*Affiliated Loan Administrative and Collateral Agent*

Chicago Atlantic Admin, LLC (the “Loan Administrator”), serves as a loan administrator and collateral agent for certain loans within the Company’s investment portfolio. Among other customary responsibilities as described in each respective loan document, the Loan Administrator is responsible for: (a) the collection of interest, loan fees, and principal payments from portfolio companies, and (b) the subsequent disbursement of the allocable portion of such collections to the lender(s), including the Company. The Loan Administrator is a wholly-owned subsidiary of Chicago Atlantic Group, L.P.

Interest and principal payments from our portfolio companies which were received by the Loan Administrator prior to December 31, 2024, but which were not remitted to the Company until after December 31, 2024, are included in due from affiliates on the Statement of Assets and Liabilities. As of December 31, 2024, the due from affiliates balance of \$2,361,019 consists of \$1,559,758 and \$801,261 in interest and principal payments receivable, respectively. The amounts due from affiliate as of December 31, 2024 were collected in January 2025.

There were no amounts due from affiliates as of December 31, 2023.

*Co-Investments*

From time to time, the Company may co-invest with other investment vehicles managed by its affiliates, in accordance with the Company’s co-investment exemptive order and the Adviser’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 co-investment. As of December 31, 2024 and December 31, 2023, \$272,816,695 and \$0, respectively, of the Company’s investments were co-investments with affiliates of the Company.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

*Other Related Party Transactions*

For the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022, the Company paid \$0, \$0 and \$2,086, respectively, for expenses on the Adviser's behalf.

The Adviser was the seed investor of the Company and provided initial funding to the Company by purchasing approximately 4.5 million shares of the Company's common stock in the Company's initial public offering. The Adviser provided this "seed capital" to the Company for the purpose of facilitating the launch and initial operation of the Company, as opposed to for long term investment purposes. In addition, CALP purchased approximately 16.6 million shares of the Company's common stock in connection with the Loan Portfolio Acquisition with the intention of distributing such shares of the Company's common stock to CALP's members within six months of the Loan Portfolio Acquisition. The Adviser and CALP do not expect to hold the Company's common stock indefinitely, and may sell the Company's common stock, or distribute the Company's common stock to their members (who may, in turn, sell the Company's common stock subject to certain holding period requirements), at a future point in time. In order for the Adviser's or CALP's sales of the shares of the Company not to be deemed to have been made "on the basis of" material nonpublic information, such sales may be made pursuant to a pre-approved trading plan that complies with Rule 10b5-1 under the Exchange Act and that may obligate the Adviser or CALP to make recurring sales of the Company's common stock on a periodic basis. Sales of substantial amounts of the Company's common stock, including by the Adviser, CALP, their members or other large stockholders, or the availability of such common stock for sale, could adversely affect the prevailing market prices for the Company's common stock. If this occurs and continues for a sustained period of time, it could impair the Company's ability to raise additional capital through the sale of securities, should the Company desire to do so.

As of December 31, 2024, the Adviser and CALP collectively hold approximately 80% of the Company's voting stock and have the ability to exercise substantial control over all corporate actions requiring stockholder approval, including the election and removal of directors, certain amendments of the Company's charter, the Company's ability to issue its common stock at a price below NAV per share, and the approval of any merger or other extraordinary corporate action.

The Adviser absorbed \$1.23 million, representing the cost of the sales load (i.e., underwriting discounts and commissions) incurred by the Company in connection with the initial public offering of its common stock. The Company will not incur any additional expenses in connection with this transaction.

During the years ended December 31, 2024 and December 31, 2023, the Adviser and certain related parties received dividend distributions from the Company relating to their shares held. Refer to "Note 7 – Common Stock" for further details on the Company's dividend reinvestment plan and the distributions declared. The Company did not make any distributions during the period from April 1, 2022 through December 31, 2022.

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

*Off-Balance Sheet Arrangements*

The Company's commitments and contingencies include unfunded commitments to extend credit, typically in the form of delayed draw term loans to the Company's portfolio companies. A portion of these unfunded contractual commitments are generally dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Furthermore, the Company's credit agreements with its portfolio companies generally contain customary lending provisions that allow the Company relief from funding obligations for previously made commitments in instances where the underlying portfolio company experiences materially adverse events that affect the financial condition or business outlook of the company. Since a portion of these commitments may expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements. As such, the Company's disclosure of unfunded contractual commitments includes only those commitments that are available at the request of the portfolio company and are unencumbered by milestones or additional lending provisions. As of December 31, 2024 and December 31, 2023, the Company had the following unfunded commitments on existing loans:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
Unfunded delayed draw loan commitments	\$ 1,250,000	\$ -
<b>Total undrawn commitments</b>	<b>\$ 1,250,000</b>	<b>\$ -</b>

The Company did not have any other off-balance sheet commitments or liabilities as of December 31, 2024 or December 31, 2023. The Company will fund its unfunded commitments, if any, from the same sources it uses to fund its investment commitments that are funded at the time they are made (which are typically through existing cash and cash equivalents) and maintains adequate liquidity to fund its unfunded commitments through these sources.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**Legal Proceedings**

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. As of December 31, 2024, there were no material legal matters or material litigation pending of which the Company is aware.

**NOTE 7 — COMMON STOCK**

As of December 31, 2024, 100,000,000 shares of \$0.01 par value common stock were authorized.

**Loan Portfolio Acquisition**

On October 1, 2024, the Company completed its previously announced acquisition of a portfolio of loans (the “Loan Portfolio”) from Chicago Atlantic Loan Portfolio, LLC (“CALP”) in exchange for newly issued shares of the Company’s common stock (the “Loan Portfolio Acquisition”), pursuant to the Purchase Agreement, dated as of February 18, 2024, between the Company and CALP (the “Loan Portfolio Acquisition Agreement”). In accordance with the terms of the Loan Portfolio Acquisition Agreement, at the effective time of the Loan Portfolio Acquisition, the Company issued 16,605,372 shares of its common stock to CALP in exchange for the Loan Portfolio, which was determined by the Company to have a fair value of \$219,621,125 as of September 28, 2024. Upon the closing of the Loan Portfolio Acquisition, there were 22,820,367 shares of the Company’s common stock outstanding.

**Distributions**

The following table summarizes distributions declared and paid by the Company during the years ended December 31, 2024 and December 31, 2023:

Declaration Date	Type	Record Date	Payment Date	Per Share Amount	Dividends Paid
August 10, 2023	Quarterly	September 15, 2023	September 29, 2023	\$ 0.23	\$ 1,429,375
August 10, 2023	Special	September 15, 2023	September 29, 2023	\$ 0.40	\$ 2,485,869
November 9, 2023	Quarterly	December 20, 2023	December 29, 2023	\$ 0.25	\$ 1,553,676
November 9, 2023	Special	December 20, 2023	December 29, 2023	\$ 0.45	\$ 2,796,617
March 8, 2024	Quarterly	March 20, 2024	March 28, 2024	\$ 0.25	\$ 1,553,736
May 9, 2024	Quarterly	June 20, 2024	June 28, 2024	\$ 0.25	\$ 1,553,738
August 8, 2024	Quarterly	September 19, 2024	September 27, 2024	\$ 0.25	\$ 1,553,741
December 9, 2024	Quarterly	December 19, 2024	December 27, 2024	\$ 0.34	\$ 7,758,925

**Dividend Reinvestment Plan**

The Company’s dividend reinvestment plan (“DRIP”) provides for the reinvestment of distributions in the form of common stock on behalf of its stockholders, unless a stockholder has elected to receive distributions in cash. As a result, if the Company declares a cash distribution, its stockholders who have not “opted out” of the DRIP by the opt out date will have their cash distribution automatically reinvested into additional shares of the Company’s common stock. The share requirements of the DRIP may be satisfied through the issuance of common shares or through open market purchases of common shares by the DRIP plan administrator.

The Company’s DRIP is administered by its transfer agent on behalf of the Company’s record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in the Company’s DRIP but may provide a similar dividend reinvestment plan for their clients. During the years ended December 31, 2024 and December 31, 2023, the Company issued the following shares of common stock under the DRIP:

Declaration Date	Type	Record Date	Payment Date	Shares
March 8, 2024	Quarterly	March 20, 2024	March 28, 2024	8
May 9, 2024	Quarterly	June 20, 2024	June 28, 2024	15
August 8, 2024	Quarterly	September 19, 2024	September 27, 2024	31
December 9, 2024	Quarterly	December 19, 2024	December 27, 2024	19
Declaration Date	Type	Record Date	Payment Date	Shares
August 10, 2023	Quarterly	September 15, 2023	September 29, 2023	12
August 10, 2023	Special	September 15, 2023	September 29, 2023	21
November 9, 2023	Quarterly	December 20, 2023	December 29, 2023	84
November 9, 2023	Special	December 20, 2023	December 29, 2023	152

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 8 — INDEMNIFICATION**

Under the Company’s organizational documents, the Company’s officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business the Company enters into contracts that contain a variety of representations which provide general indemnifications. The Company’s maximum exposure under these agreements cannot be known; however, the Company expects any risk of loss to be remote.

In the normal course of business, the Company enters into contracts that provide a variety of representations and warranties, and general indemnifications. Such contracts include those with certain service providers, brokers and trading counterparties. Any exposure to the Company under these arrangements is unknown as it would involve future claims that may be made against the Company; however, based on the Company’s experience, the risk of loss is remote and no such claims are expected to occur. As such, the Company has not accrued any liability in connection with such indemnifications.

**NOTE 9 — EARNINGS PER SHARE**

The following table sets forth the computation of the weighted average basic and diluted net increase (decrease) in net assets per share resulting from operations for the years ended December 31, 2024 and December 31, 2023, and for the period from April 1, 2022 through December 31, 2022:

	Year Ended December 31, 2024	Year Ended December 31, 2023	For the period from April 1, 2022 through December 31, 2022*
Net increase (decrease) in net assets resulting from operations	\$ 9,622,538	\$ 7,340,108	\$ 1,923,639
Weighted Average Shares Outstanding - basic and diluted	10,343,621	6,214,682	6,214,672
Net increase (decrease) in net assets resulting from operations - basic and diluted	\$ 0.93	\$ 1.18	\$ 0.31

\* On November 8, 2022, our Board approved a change in our fiscal year end from March 31 to December 31.

**NOTE 10 — INCOME TAXES**

The Company adopted a tax year end of March 31 and elected to be treated as a regulated investment company (“RIC”) for U.S. federal income tax purposes under Subchapter M of the Code. However, there is no guarantee that the Company will qualify to make such an election for any taxable year. As a RIC, the Company generally will not pay corporate-level income tax if it distributes to stockholders at least 90% of its investment company taxable income (“ICTI”) (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax-exempt income to maintain its RIC status. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of the current year distribution into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI. The amount to be paid out as a distribution is determined by the Board each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent the Company’s earnings fall below the amount of dividend distributions declared, however, a portion of the total amount of the Company’s distributions for the tax year may be deemed a return of capital for tax purposes to the Company’s stockholders.

The amounts and sources of distributions reported are only estimates and are not being provided for U.S. federal income tax reporting purposes. The timing and character of distributions for U.S. federal income tax purposes will be determined in accordance with the U.S. federal tax rules which may differ from GAAP. The final determination of the source of all distributions in 2024 will be made after the tax year-end and the amounts represented may be materially different from the amounts disclosed in the final Form 1099-DIV notice. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Company’s investment performance and may be subject to change based on tax regulations.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income (loss) and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among the capital accounts in the financial statements to reflect their appropriate tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized in different periods for book and tax purposes.

The Company has not recorded a liability for any uncertain tax positions pursuant to the provisions of ASC 740, Income Taxes as of December 31, 2024 and December 31, 2023.

In the normal course of business, the Company is subject to examination by federal and certain state and local tax regulators.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

For tax purposes, net realized capital losses may be carried over to offset future capital gains, if any. RICs are permitted to carry forward capital losses for an indefinite period, and such losses will retain their character as either short-term or long-term capital losses. As of March 31, 2024, the Company's most recent tax year end, the Company had \$210,767 of capital loss carryforwards, all of which is short-term.

The Company's taxable income for each period is an estimate and will not be finally determined until the Company files its tax return for each year. Therefore, the final taxable income earned in each year and carried forward for distribution in the following year may be different than this estimate.

During the years ended December 31, 2024 and December 31, 2023, the Company reclassified for book purposes amounts arising from permanent book to tax differences primarily related to net operating loss forfeiture and non-deductible excise tax paid for income tax purposes.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Increase (decrease) in additional paid in capital	\$ (10,676)	\$ 121,099
Increase (decrease) in distributable earnings (accumulated loss)	10,676	(121,099)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long-term capital gains, or a combination thereof. The tax character of distributions paid for the period from April 1, 2024 through December 31, 2024, and the tax year from April 1, 2023 through March 31, 2024, were as follows:

	<u>For the period from April 1, 2024 through December 31, 2024</u>		<u>For the tax year from April 1, 2023 through March 31, 2024</u>
Ordinary income	\$ 10,866,404	-	\$ 9,819,273
Long-term capital gain	-	-	-
Return of capital	-	-	-
Total Distributions	<u>\$ 10,866,404</u>	<u>-</u>	<u>\$ 9,819,273</u>

As of March 31, 2024 and March 31, 2023, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Statements of Assets and Liabilities by temporary book or tax differences primarily arising from the tax treatment of organizational costs, the tax treatment of transaction expenses related to the Loan Portfolio Acquisition, and the tax treatment of uncrystallized capital gain incentive fees.

	<u>March 31, 2024</u>		<u>March 31, 2023</u>
Undistributed ordinary income	\$ 1,782,017	-	\$ 3,418,714
Net unrealized appreciation (depreciation) on investments	1,248,303	-	713,009
Capital loss carry forwards	(210,767)	-	-
Other temporary differences	(3,393,536)	-	(399,948)
Total	<u>\$ (573,983)</u>	<u>-</u>	<u>\$ 3,731,775</u>

The following table sets forth the tax cost basis and the estimated aggregate gross unrealized appreciation and depreciation from investments and cash equivalents for federal income tax purposes for the fiscal years ended December 31, 2024 and December 31, 2023.

	<u>December 31, 2024</u>		<u>December 31, 2023</u>
Tax cost of investments and cash equivalents	\$ 298,279,117	-	\$ 86,082,952
Unrealized appreciation	1,285,099	-	784,052
Unrealized depreciation	(390,412)	-	(135,369)
Net unrealized appreciation (depreciation) from investments and cash equivalents	<u>\$ 894,687</u>	<u>-</u>	<u>\$ 648,683</u>

There were no differences between book-basis and tax-basis unrealized appreciation (depreciation) from investments.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 11 — FINANCIAL HIGHLIGHTS**

The Company was formed on January 25, 2021 and the effective date of our registration statement was February 3, 2022. Prior to February 3, 2022, the Company had no operations, except for matters relating to our formation and organization as a BDC. The following presents financial highlights for the years ended December 31, 2024 and December 31, 2023, the period from April 1, 2022 through December 31, 2022 and the period from February 3, 2022 to March 31, 2022:

	For the years ended December 31,		For the period from April 1, 2022 through December 31, 2022*	For the period from February 3, 2022 through March 31, 2022
	2024	2023		
<b>Per share data:</b>				
Net asset value at beginning of period	\$ 13.77	\$ 13.91	\$ 13.61	\$ 14.00
Net investment income (loss) <sup>(1)</sup>	0.91	1.07	0.35	(0.07)
Net realized and unrealized gains/(losses) on investments <sup>(1)</sup>	0.02	0.11	(0.05)	-
Net increase/(decrease) in net assets resulting from operations <sup>(1)</sup>	0.93	1.18	0.30	(0.07)
Offering costs <sup>(2)</sup>	(0.07)	-	-	(0.27)
Permanent tax adjustments	-	-	-	(0.05)
Effect of shares issued	(0.34)	-	-	-
Distributions from net investment income (loss) <sup>(3)</sup>	(1.09)	(1.32)	-	-
Net asset value at end of period	\$ 13.20	\$ 13.77	\$ 13.91	\$ 13.61
Net assets at end of period	\$ 301,162,578	\$ 85,552,618	\$ 86,475,729	\$ 84,552,090
Shares outstanding at end of period	22,820,386	6,214,941	6,214,672	6,214,672
Weighted average net assets	\$ 138,475,878	\$ 88,187,537	\$ 84,885,270	\$ 83,301,328
Per share market value at end of period	\$ 12.19	\$ 8.44	\$ 9.80	\$ 13.30
Total return based on market value <sup>(4)</sup>	59.20%	(13.88%)	(26.32%)	(5.00%)
Total return based on net asset value <sup>(4)</sup>	5.66%	13.65%	2.20%	(2.79%)
<b>Ratio/Supplemental data:</b>				
Ratio of expenses to average net assets <sup>(5)</sup>	8.82%	6.01%	2.17%	0.22%
Ratio of net investment income (loss) to average net assets <sup>(5)</sup>	6.83%	7.52%	2.59%	(0.20%)
Portfolio turnover <sup>(5)</sup>	21.70%	10.94%	N/A	N/A

\* On November 8, 2022, our Board approved a change in our fiscal year end from March 31 to December 31.

<sup>(1)</sup> The per share data was derived by using the weighted average shares outstanding during the periods presented.

<sup>(2)</sup> The Adviser has absorbed the cost of the sales load (i.e., underwriting discounts and commissions) incurred by the Company in connection with the initial public offering of its common stock.

<sup>(3)</sup> The amount shown may not correspond for the period as it includes the effect of the timing of the distribution and the issuance of common stock.

<sup>(4)</sup> Total return based on market value is based on the change in market price per share between the beginning and ending market prices per share in each period and assumes that common stock dividends are reinvested in accordance with our common stock dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the beginning and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our common stock dividend reinvestment plan. For periods less than a year, total return is not annualized.

<sup>(5)</sup> Ratio is not annualized.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 12 — SEGMENT REPORTING**

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (“ASC 280”): *Improvements to Reportable Segment Disclosures*. ASC 280 establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details of the Company’s business segments.

The Company uses the management approach to determine reportable operating segments. The Company operates through a single operating and reporting segment with an investment objective of maximizing risk-adjusted returns on equity for its shareholders. The management approach considers the internal organization and reporting used by the Company’s Chief Executive Officer, Chief Financial Officer, and Co-Chief Investment Officers, which comprise the chief operating decision maker (“CODM”) for making decisions, allocating resources and assessing performance. The CODM assesses the performance of, and makes operating decisions for, the Company primarily based on the Company’s net asset value, net investment income, and net increase (decrease) in net assets resulting from operations. In addition to other factors and metrics, the CODM utilizes net increase (decrease) in net assets resulting from operations as a key determinant of the amount of dividends to be distributed to the Company’s stockholders.

As the Company’s operations comprise of a single reporting segment, the segment assets are reflected on the accompanying Statement of Assets and Liabilities as “total assets” and the significant segment expenses are listed on the accompanying Statements of Operations.

**NOTE 13 — LOAN PORTFOLIO ACQUISITION**

On October 1, 2024, the Company completed its previously announced acquisition from Chicago Atlantic Loan Portfolio, LLC (“CALP”) of a portfolio of loans (the “Loan Portfolio”) in exchange for newly issued shares of the Company’s common stock (the “Loan Portfolio Acquisition”), pursuant to the Purchase Agreement, dated as of February 18, 2024, between the Company and CALP (the “Loan Portfolio Acquisition Agreement”). In accordance with the terms of the Loan Portfolio Acquisition Agreement, at the effective time of the Loan Portfolio Acquisition, the Company issued 16,605,372 shares of its common stock to CALP in exchange for the Loan Portfolio, which was determined by the Company to have a fair value of \$219,621,125 as of September 28, 2024. Upon the closing of the Loan Portfolio Acquisition, there were 22,820,367 shares of the Company’s common stock outstanding.

The Loan Portfolio Acquisition has been accounted for as an asset acquisition by the Company, with the Loan Portfolio accounted for at fair value both at the acquisition date and prospectively. The transaction costs incurred by the Company for the asset acquisition were expensed as incurred, because the acquired assets consist of a loan portfolio that is accounted for prospectively at fair value. In addition to transaction costs, there were deferred offering costs associated with the issuance of equity securities which were capitalized and charged to capital upon the issuance of shares of the Company’s common stock concurrently with the completion of the Loan Portfolio Acquisition.

**NOTE 14 — SUBSEQUENT EVENTS**

The Company’s management evaluated subsequent events through the date on which the financial statements were issued. Other than the item listed below, there have been no subsequent events that occurred during such period that have required adjustment or disclosure in the financial statements.

***Credit Agreement***

On February 11, 2025, the Company entered into a senior secured revolving credit agreement (the “Credit Agreement”) among the Company, as borrower, Western Alliance Trust Company, N.A. (“WATC”), as administrative agent, Western Alliance Bank, as an issuing bank and as the initial lender, and the other lenders party thereto from time to time.

Under the Credit Agreement, the lenders have agreed to extend credit to the Company on a revolving basis in an initial aggregate amount of up to \$100,000,000 with an option for the Company to request additional commitments, in a minimum amount of \$5,000,000, at one or more times from existing and/or new lenders at their election. The Credit Agreement also provides for the issuance of letters of credit in an aggregate face amount of up to \$5,000,000.

Availability under the Credit Agreement (the “Revolving Period”) will terminate on February 11, 2027, and the Credit Agreement has a scheduled maturity date of March 31, 2028.

Borrowings under the Credit Agreement bear interest at the annual rate of one-month term Secured Overnight Financing Rate plus 3.00%. The Company will pay a commitment fee of 0.50% per annum on the average daily unused portion of commitments under the Credit Agreement during the Revolving Period. The Company also will be required to pay letter of credit participation fees and a fronting fee on the average daily amount of the lenders’ exposure with respect to any letters of credit issued at the request of the Company under the Credit Agreement.

**Chicago Atlantic BDC, Inc.  
Notes to Financial Statements**

As of March 25, 2025, the Company has \$0 and \$100,000,000 outstanding and available, respectively, under the Credit Agreement.

In connection with the Company entering into the Credit Agreement, the Board approved a clarification, as proposed by the Company and the Adviser, of the Expense Limitation Agreement, that the interest expense, fees, and other costs associated with the Credit Agreement, and any future interest expense, fees, and other costs associated with raising debt and/or equity capital for the Company are not subject to, and do not count towards, the expense cap of 2.15% per annum under the Expense Limitation Agreement.

***Custody Agreements***

Additionally, on February 11, 2025, WATC and the Company entered into a custody agreement (the "WATC Custody Agreement"), pursuant to which WATC was appointed to serve as the Company's custodian to hold securities, loans, cash, and other assets on behalf of the Company. Either party may terminate the WATC Custody Agreement at any time upon sixty (60) days' prior written notice. In addition, Western Alliance Bank ("WAB") and the Company entered into two substantively identical custody agreements (the "WAB Custody Agreements" and together with the WATC Custody Agreement, the "Custody Agreements"), pursuant to which WAB was appointed to hold and act as the Company's custodian with respect to all Deposit Accounts (as defined in the WAB Custody Agreements) for funds of the Company placed through the ICS Deposit Placement Agreement (included with the WAB Custody Agreements).

***Distributions***

On March 13, 2025, the Board approved a cash dividend of \$0.34 per common share. The dividend is payable on April 11, 2025 to stockholders of record on March 28, 2025.

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

None.

**Item 9A. Controls and Procedures*****Evaluation of Disclosure Controls and Procedures***

In accordance with Rules 13a-15(b) and 15d-15(b) under the Exchange Act, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report on Form 10-K and determined that our disclosure controls and procedures are effective as of the end of the period covered by this annual report on Form 10-K.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on our evaluation under the framework in Internal Control—Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Attestation Report of the Independent Registered Public Accounting Firm***

This annual report on Form 10-K does not include an attestation report of the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

During the three months ended December 31, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

The Company has adopted a code of business conduct and ethics that applies to directors, officers and employees. The code of business conduct and ethics is available on the Company's website at [lien.chicagoatlantic.com /corporate-governance/documents-and-charters](http://lien.chicagoatlantic.com/corporate-governance/documents-and-charters). The Company will report any amendments to or waivers of a required provision of the code of business conduct and ethics on the Company's website or in a Current Report on Form 8-K.

The Company also maintains insider trading policies and procedures governing the purchase, sale, and/or other dispositions of the Company's securities by directors, officers and the Company, and has implemented processes that it believes are reasonably designed to promote compliance with insider trading laws, rules, and regulations, and any listing standards applicable to the Company. A copy of the Company's insider trading policies and procedures is filed as Exhibit 19 to this Annual Report on Form 10-K.

**Item 11. Executive Compensation**

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

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

The information required by Item 12 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

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

The information required by Item 13 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

**Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules**

The following financial statements of the "Company" are filed herewith:

Report of Independent Registered Public Accounting Firm

Statements of Assets and Liabilities as of December 31, 2024 and December 31, 2023

Statements of Operations for the Years Ended December 31, 2024 and December 31, 2023, the Period Ended December 31, 2022 and the Year Ended March 31, 2022

Statements of Changes in Net Assets for the Years Ended December 31, 2024 and December 31, 2023, the Period Ended December 31, 2022 and the Year Ended March 31, 2022

Statements of Cash Flows for the Years Ended December 31, 2024 and December 31, 2023, the Period Ended December 31, 2022 and the Year Ended March 31, 2022

Notes to Financial Statements

The following exhibits are filed as part of this annual report on Form 10-K or hereby incorporated by reference to exhibits previously filed with the SEC:

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
<a href="#">2.1</a>	Purchase Agreement by and between Silver Spike Investment Corp. and Chicago Atlantic Loan Portfolio, LLC dated as of February 18, 2024 <sup>(1)</sup>
<a href="#">3.1</a>	Articles of Amendment and Restatement of the Company <sup>(2)</sup>
<a href="#">3.2</a>	Articles of Amendment of the Company <sup>(3)</sup>
<a href="#">3.3</a>	Amended and Restated Bylaws of the Company <sup>(4)</sup>
<a href="#">4.1</a>	Description of Securities <sup>(5)</sup>
<a href="#">10.1</a>	Dividend Reinvestment Plan <sup>(6)</sup>
<a href="#">10.2</a>	Investment Advisory Agreement by and between the Company and Chicago Atlantic BDC Advisers, LLC <sup>(7)</sup>
<a href="#">10.3</a>	WATC Custody Agreement <sup>(8)</sup>
<a href="#">10.4</a>	WAB Custody Agreement <sup>(9)</sup>
<a href="#">10.5</a>	Administration Agreement by and between Registrant and Chicago Atlantic BDC Advisers, LLC <sup>(10)</sup>
<a href="#">10.6</a>	License Agreement by and between Registrant and Chicago Atlantic BDC Advisers, LLC <sup>(11)</sup>
<a href="#">10.7</a>	Services Agreement <sup>(12)</sup>
<a href="#">10.8</a>	Expense Limitation Agreement, dated October 1, 2024, between the Company and Chicago Atlantic BDC Advisers, LLC <sup>(13)</sup>
<a href="#">10.9</a>	Credit Agreement <sup>(14)</sup>
<a href="#">14.1</a>	Code of Ethics of the Company*
<a href="#">14.2</a>	Code of Ethics of Chicago Atlantic BDC Advisers, LLC*
<a href="#">19.1</a>	Insider Trading Policies and Procedures of the Company*
<a href="#">24.1</a>	Power of Attorney (included on signature page hereto)
<a href="#">31.1</a>	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
<a href="#">31.2</a>	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
<a href="#">32.1</a>	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
<a href="#">32.2</a>	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

\* Filed herewith.

- (1) Incorporated by reference to Exhibit 2.1 of the Company's current report on Form 8-K filed on February 23, 2024.
- (2) Incorporated by reference to Exhibit 3.1 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (3) Incorporated by reference to Exhibit 3.2 of the Company's quarterly report on Form 10-Q filed on November 8, 2024.
- (4) Incorporated by reference to Exhibit 3.2 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (5) Incorporated by reference to Exhibit 4.1 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (6) Incorporated by reference to Exhibit 10.1 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (7) Incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on October 7, 2024.
- (8) Incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K filed on February 18, 2025.
- (9) Incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K filed on February 18, 2025.
- (10) Incorporated by reference to Exhibit 10.4 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (11) Incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K filed on October 7, 2024.
- (12) Incorporated by reference to Exhibit 10.6 of the Company's annual report on Form 10-K/A, filed on June 30, 2022.
- (13) Incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K filed on October 7, 2024.
- (14) Incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on February 18, 2025.

**Item 16. Form 10-K Summary**

Not applicable.

## Chicago Atlantic BDC, Inc.

## SIGNATURES

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

Dated: March 31, 2025

CHICAGO ATLANTIC BDC, INC.

By: /s/ Peter Sack

Peter Sack  
Chief Executive Officer

Each person whose signature appears below constitutes and appoints Peter Sack, Scott Gordon, Martin Rodgers and Umesh Mahajan, and each of them, such person's true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities, to sign one or more Annual Reports on Form 10-K for the year ended December 31, 2024, and any and all amendments thereto, and to file same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and each of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 31, 2025.

Name	Title
/s/ Scott Gordon Scott Gordon	Director, Executive Chairman of the Board of Directors, and Co-Chief Investment Officer
/s/ Vivek Bunty Bohra Vivek Bunty Bohra	Director
/s/ Michael W. Chorske Michael W. Chorske	Director
/s/ Americo Da Corte Americo Da Corte	Director
/s/ John Mazarakis John Mazarakis	Director
/s/ Patrick McCauley Patrick McCauley	Director
/s/ Supurna VedBrat Supurna VedBrat	Director
/s/ Tracey Brophy Warson Tracey Brophy Warson	Director
/s/ Peter Sack Peter Sack	Chief Executive Officer (Principal Executive Officer)
/s/ Martin Rodgers Martin Rodgers	Chief Financial Officer (Principal Financial and Accounting Officer),

**Chicago Atlantic BDC, Inc. Code of Ethics****Purpose of the Code of Ethics**

Chicago Atlantic BDC, Inc. (the "Company") has adopted this 1940 Act Code of Ethics to set forth guidelines and procedures that promote ethical practices and conduct by all of the Company's Access Persons, as defined below, and to ensure compliance with the Federal Securities Laws. To the extent that any such individual is subject to compliance with the separately maintained Code of Ethics of the Adviser, Sub-Administrator or underwriter, as applicable, whose Codes of Ethics complies with Rule 17j-1, compliance by such individuals with the provisions of the Code of Ethics of the applicable service provider (the Adviser, Sub-Administrator or underwriter) shall constitute compliance with this 1940 Act Code of Ethics. The 1940 Act Code of Ethics is based on the principle that, each Access Person of the Company will conduct such activities in accordance with to the following principles:

- To be dutiful in placing the interests of the Company's shareholders first and before their own;
- all personal securities transactions must be conducted consistent with this 1940 Act Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of the Company and responsibility; and
- adhere to the fundamental standard that Access Persons shall not take inappropriate advantage of their position.

Any violation of this 1940 Act Code of Ethics must be reported promptly to Alexander Woodcock, the Company CCO. Failure to do so will be deemed a violation of the 1940 Act Code of Ethics.

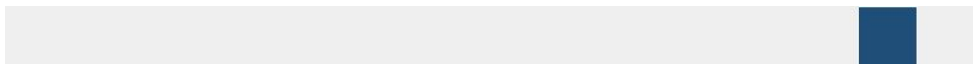
**Legal Requirement**

Pursuant to Rule 17j-1(b) of the Investment Company Act of 1940 (the "1940 Act"), it is unlawful for any Access Person to:

- employ any device, scheme or artifice to defraud the Company;
- make any untrue statement of a material fact to the Company or fail to state a material fact necessary in order to make the statements made to the Company, in light of the circumstances under which they were made, not misleading;
- engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the Company; or
- engage in any manipulative practice with respect to the Company, in connection with the purchase or sale (directly or indirectly) by such Access Person of a security "held or to be acquired" by the Company.

**Definitions** - All definitions shall have the same meaning as explained in Rule 17j-1 or Section 2(a) of the 1940 Act and are summarized below.

*Access Person*— Any officers, Directors, general partner or employee of the Company or of Chicago Atlantic BDC Advisers, LLC (the "Adviser") (or of any entity in a control relationship to the Company or Adviser) who, in connection with his/her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Company, or whose functions relate to the making of any recommendations with respect to such purchases or sales.



*Automatic Investment Plan* – A program in which regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation. An Automatic Investment Plan includes a dividend reinvestment plan.

*Beneficial Ownership* – in general and subject to the specific provisions of Rule 16a-1(a)(2) under the Exchange Act having or sharing, directly or indirectly, through any contract arrangement, understanding, relationship, or otherwise, a direct or indirect “pecuniary interest” in the security.

*Connected Persons* – Adult children or parents living at home, and any relative, person or entity for whom the Access Person directs the investments or securities trading unless otherwise specified.

*Control* - shall have the same meaning as that set forth in Section 2(a)(9) of the Exchange Act.

*Covered Security* – shall be any security except that it does not include:

- Direct obligations of the Government of the United States;
- Bankers’ acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, including repurchase agreements; and
- Shares issued by open-end funds (excluding open-end exchange traded funds).

*De Minimis Security* - securities issued by any company included in the Standard and Poor’s 500 Stock Index and in an amount less than \$10,000.

*Exchange Traded Fund (“ETF”)* - an open-end registered investment company that is not a unit investment trust, and that operates pursuant to an order from the SEC exempting it from certain provisions of the 1940 Act permitting it to issue securities that trade on the secondary market. Examples of open-end exchange-traded funds include, but are not limited to: Select Sector SPDRs; iShares; PowerShares; etc.

*Fund* - an investment company registered under the 1940 Act.

*Independent Directors* - those directors of the Company that would not be deemed an “interested person” of the Company, as defined in Section 2(a)(19)(A) of the 1940 Act.

*Initial Public Offering* - an offering of securities registered under the Securities Act, the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Act.

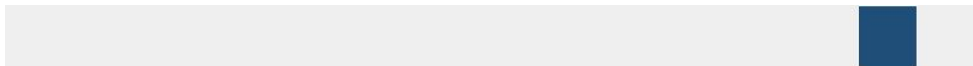
*Limited Offering* - an offering that is exempt from registration pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, Rule 505, or Rule 506 under the Securities Act.

*Purchase or Sale of a Covered Security* - includes, among other things, the writing of an option to purchase or sell a Covered Security.

*Restricted Director* - each director of the Company who is not also a director, officer, partner, employee or controlling person of any one or more of the Company’s investment advisers, administrator, custodian, transfer agent, or underwriter.

*Security held or to be Acquired by the Company* means:

1. Any Covered Security which, within the most recent fifteen (15) days:
  - Is or has been held by the Company; or
  - Is being or has been considered by the Company or its Adviser for purchase by the Company; and



- Any option to purchase or sell, and any security convertible into or exchangeable for, a Covered Security.

#### Policies of the Company Regarding Personal Securities Transactions General

No Access Person of the Company shall engage in any act, practice or course of business that would violate the provisions of Rule 17j-1 as set forth above, or in connection with any personal investment activity, engage in conduct inconsistent with this 1940 Act Code of Ethics.

#### Specific Policies

##### 1. *Restrictions on personal securities transactions by Access Persons, other than Restricted Directors.*

- Except as provided below, no Access Person who is not a Restricted Director may buy or sell Covered Securities for his or her personal portfolio or the portfolio of a member of his or her immediate family without obtaining authorization from the CCO of the Adviser prior to effecting such security transaction.

**Note:** If an Access Person has questions as to whether purchasing or selling a security for his or her personal portfolio or the portfolio of a member of his or her immediate family requires prior authorization, the Access Person should consult the Adviser's CCO for clearance or denial of clearance to trade prior to effecting any securities transactions.

- Pre-clearance approval under paragraph (a) will expire at the close of business on the trading day after the date on which the authorization is received, and the Access Person is required to renew clearance for the transaction if the trade is not completed before the authority expires.
- No clearance will be given to an Access Person other than a Restricted Director to purchase or sell any Covered Security (1) on a day when the Company has a pending "buy" or "sell" order in that same Covered Security until that pending "buy" or "sell" order is executed or withdrawn (2) when the Company CCO has been advised by the Adviser that the same Covered Security is being considered for purchase or sale for any portfolio of the Company.
- The pre-clearance requirement contained above shall not apply to the following securities ("Exempt Securities"):
  - Securities that are not Covered Securities;
  - De Minimis Securities;
  - Securities purchased or sold in any account over which the Access Person has no direct or indirect influence or control;
  - Securities purchased or sold in a transaction which is non-volitional on the part of either the Access Person or the Company;
  - Securities acquired as a part of an Automatic Investment Plan;
  - Securities acquired upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities, to the extent such rights were acquired from such issuer, and sales of such rights so acquired; and
  - Securities which the Company's funds are not permitted to purchase under the investment objectives and policies set forth in the Company's then current prospectus(es) under the Securities Act or the Company's registration statement on Form N-2, provided that prior to a transaction by an Access Person such securities have been approved for inclusion in a list of securities which are not permissible for purchase by the Company.

- e. The pre-clearance requirement contained shall apply to all purchases of a beneficial interest in any security through an Initial Public Offering or a Limited Offering by any Access Person who is also classified as Investment Personnel. A record of any decision and the reason supporting such decision to approve the acquisition by investment personnel of Initial Public Offerings or Limited Offerings shall be made by the CCO.

2. *Restrictions on personal securities transactions by Restricted Directors.*

The Company recognizes that a Restricted Director does not have on-going, day- to-day involvement with the operations of the Company. In addition, it has been the practice of the Company to give information about securities purchased or sold by the Company or considered for purchase or sale by the Company to Restricted Directors in materials circulated more than 15 days after such securities are purchased or sold by the Company or are considered for purchase or sale by the Company. Accordingly, the Company believes that less stringent controls are appropriate for Restricted Directors, as follows:

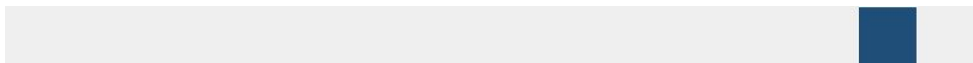
- a. The securities pre-clearance requirement detailed above shall only apply to a Restricted Director if he or she knew or, in the ordinary course of fulfilling his or her official duties as a director, should have known, that during the 15-day period before the transaction in a Covered Security (other than an Exempt Security) or at the time of the transaction that the Covered Security purchased or sold by him or her other than an Exempt Security was also purchased or sold by the Company or considered for the purchase or sale by the Company.
- b. If the pre-clearance provisions of the preceding paragraph apply, no clearance will be given to a Restricted Director to purchase or sell any Covered Security (1) on a day when any portfolio of the Company has a pending "buy" or "sell" order in that same Covered Security until that order is executed or withdrawn or (2) when a CCO has been advised by the Adviser that the same Covered Security is being considered for purchase or sale for any portfolio of the Company.

**Reporting Requirements**

The Company CCO or designee shall monitor all personal trading activity of all Access Persons as deemed appropriate and covered by this 1940 Act Code of Ethics. An Access Person of a Company who is also an Access Person of the Company's principal underwriter, affiliates or Adviser may submit such reporting requirements via the forms prescribed by any such separate code of ethics provided that the associated forms comply with the requirements of Rule 17j-1(d)(1) of the 1940 Act.

Initial/Ongoing Disclosure of Personal Brokerage Accounts. Within ten (10) days of the commencement of employment or at the commencement of a relationship with the Company, all Access Persons, except Independent Directors, are required to submit to the Company CCO a report stating the names and account numbers of all of their personal brokerage accounts, brokerage accounts of any Connected Person, and any brokerage accounts which they control or in which they or a Connected Person has Beneficial Ownership. Such report must contain the date on which it is submitted and the information in the report must be current as of a date no more than forty- five (45) days prior to that date. In addition, if a new brokerage account is opened during the course of the year, the Company CCO must be notified immediately. The information required by the above paragraph must be provided to the Company CCO on an annual basis. Disclosure of an account shall cover, at a minimum, all accounts at a broker-dealer, bank or other institution opened during the quarter and provide the following information:

- the name of the broker, dealer or bank with whom the Access Person has established the account;
- the date the account was established;
- the date that the report is submitted by the Access Person.



- Each of these accounts is required to furnish duplicate confirmations and statements to the Chief Compliance Officer. Such statements and confirms as an Access Person of the Company may be sent to the Adviser.

**Holdings Report.** Within ten (10) days of becoming an Access Person (and with information that is current as of a date no more than forty-five (45) days prior to the date that the person becomes an Access Person), each Access Person, except Independent Directors, must submit (i) a holdings report that must contain, at a minimum, the title and type of security, and as applicable, the exchange ticker symbol or CUSIP number, number of shares, and principal amount of each Covered Security in which the Access Person has any direct or indirect Beneficial Ownership and (ii) the name of any broker, dealer or bank with whom the Access Person maintained an account in which any securities were held for the Access Person's direct or indirect benefit as of the date they became an Access Person. This report must state the date on which it is submitted.

**Quarterly Transaction Reports.** All Access Persons, except Independent Directors, shall report to the Company CCO or designee the following information with respect to transactions in a Covered Security in which such person has, or by reason of such transaction acquires, any direct or indirect Beneficial Ownership in the Covered Security:

- The date of the transaction, the title, and as applicable, the exchange ticker symbol or CUSIP number, interest rate and maturity date, number of shares, and the principal amount of each Covered Security;
- The nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition),
- The price of the Covered Security at which the transaction was effected
- The name of the broker, dealer, or bank with or through whom the transaction was effected; and
- The date the Access Person submits the report.

Reports pursuant to this section of this 1940 Act Code of Ethics shall be made no later than thirty (30) days after the end of the calendar quarter in which the transaction to which the report relates was effected and shall include a certification that the reporting person has reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of this 1940 Code of Ethics. Confirmations and brokerage statements sent directly to the appropriate address noted above is an acceptable form of a quarterly transaction report.

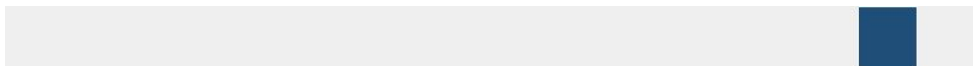
#### **Review of Reports**

The Company CCO, or designee, shall be responsible for reviewing the reports received, maintaining a record of the names of the persons responsible for reviewing these reports, and as appropriate and reporting to the Board:

- any transaction that appears to evidence a possible violation of this 1940 Act Code of Ethics; and
- apparent violations of the reporting requirements stated herein.

The Company CCO shall review the reports referenced hereunder and shall determine whether the policies established in sections IV and V of this 1940 Act Code of Ethics have been violated, and what sanctions, if any, should be imposed on the violator. Sanctions include but are not limited to a letter of censure, suspension or termination of the employment of the violator, or the unwinding of the transaction and the disgorgement of any profits.

The Company CCO and the Board of the Company shall review the operation of this 1940 Act Code of Ethics at least annually. All material violations of this 1940 Act Code of Ethics and any sanctions imposed with respect thereto shall periodically be reported to the Board of the Company.



**Certification**

Each Access Person will be required to certify annually that he/she has read and understood the provisions of this Code and will abide by them. Each Access Person will further certify that he/she has disclosed or reported all personal securities transactions required to be reported under the Code. A form of such certification is attached below:

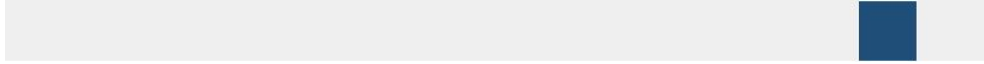
*I certify that I have read and understand the Code of Ethics of and recognize that I am subject to it.*

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Before the Board of Directors of the Company may approve the Code of Ethics, the Company must certify to the Board that the Company has adopted procedures reasonably necessary to prevent Access Persons from violating this Code. Such certification shall be submitted to the Board of Directors at least annually.



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CHICAGOATLANTIC

CHICAGO ATLANTIC BDC ADVISERS, LLC

**Code of Ethics**

600 Madison Avenue,  
Suite 1800  
New York, NY 10022

Collin Whitten, CCO: [collin@silverspikecap.com](mailto:collin@silverspikecap.com)

October 2024

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**1) Introduction**

This Code of Ethics (the "Code") has been developed by Chicago Atlantic BDC Advisers, LLC ("CA BDC Advisers," or "Firm") to provide a set of rules and principles to ensure the Firm and its Supervised Persons meet the obligation to place Clients' interests before those of the Firm and its Supervised Persons and to ensure all conflicts of interest are managed fairly.

Adherence to the Code of Ethics and related restrictions on personal investing is considered a basic condition of employment for Supervised Persons of CA BDC Advisers.

All Supervised Persons are required to follow ethical principles of openness, integrity, honesty, and trust. All Supervised Persons are expected to follow this Code and comply with all applicable laws. While not expected to know the details of each law governing CA BDC Advisers' business, all Supervised Persons are expected to be familiar with the company-wide policies and procedures as they apply to their role at CA BDC Advisers and when in doubt, to seek advice from supervisors, or other appropriate personnel.

Should any questions about this Code, or any of CA BDC Advisers' other policies, or how to comply with the law in a certain situation arise, it is required that Supervised Persons immediately bring questions to the Chief Executive Officer ("CEO") or Chief Compliance Officer ("CCO").

Although CA BDC Advisers will not retaliate against anyone for making a good faith report, failure to report violations may lead to appropriate disciplinary action.

Failure to adhere to these standards could expose a Supervised Person to sanctions imposed by CA BDC Advisers, regulators, or law enforcement officials. Sanctions may include disgorgement of profits, suspension or termination of employment, or criminal or civil penalties. If there is any doubt as to whether a Federal or State securities law applies, Supervised Persons should consult with the CCO.

CA BDC Advisers will hold new employee training that will cover topics covered in this Code. CA BDC Advisers will remind Supervised Persons on an ongoing basis of their obligations under this Code and will require annual recertification that each Supervised Person has re-read, understands and has complied with the Code.

Test Procedure	Frequency	Assignee
For the period under review, confirm that CA BDC Advisers held new employee training that covered topics covered in the Code of Ethics.	Annually	Collin Whitten
For the period under review, confirm that CA BDC Advisers received certification that each Supervised Person has re-read, understands and has complied with the Code of Ethics.	Annually	Collin Whitten

**2) Standards of Business Conduct**

Supervised Persons must at all times comply with the following standards of business conduct to ensure CA BDC Advisers meets its fiduciary obligations and those of its Supervised Persons:

- **Clients Come First.** Supervised Persons owe Clients a duty of loyalty and must avoid serving the Adviser's or their own personal interests ahead of the Clients'. A Supervised Person may not induce or cause a Client to take action, or not to take action, for the Firm's or the Supervised Person's own benefit rather than for the benefit of the Client. The Firm must make full and fair disclosure of all material facts related to the investment, particularly where the interests of the Firm or a Supervised Person may conflict with those of a Client.
- **Avoid Taking Advantage.** Supervised Persons may not trade on the basis of inside information, usurp investment opportunities that should properly be made available to the Firm's Clients, or otherwise use their knowledge of the Firm's investment activities to profit on such activities at the expense of the Firm's Clients.
- **Avoid Inappropriate Relationships.** In addition, Supervised Persons must avoid engaging in outside business activities and the receipt of investment opportunities, perquisites, or gifts from persons seeking to do business with the Firm that could call into question a Supervised Person's ability to exercise independent judgment in the best interests of the Firm's Clients.
- **Compliance with Applicable Law.** Supervised Persons must comply with all laws that apply to the business of the Firm.

Doubtful situations should always be resolved in favor of the Client. Technical compliance with the Code's procedures will not automatically insulate from scrutiny any activities that indicate an abuse of these governing principles.

**3) Policy Statement on Insider Trading**

Section 204A of the Advisers Act requires that all investment advisers establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of the business, to prevent the misuse of material, non- public information by the adviser or any person associated with the adviser.

CA BDC Advisers forbids any Supervised Persons from trading, either personally or on behalf of others, including Funds, based upon Material Non-Public Information (“MNPI”) about a publicly traded security, or communicating MNPI to others in violation of the law. This conduct is frequently referred to as “insider trading.” CA BDC Advisers’ policy applies to every Supervised Person and extends to activities within and outside their duties at CA BDC Advisers.

The term “insider trading” is not defined in the federal securities laws, but generally is used to refer to the use of MNPI to trade in securities (whether or not one is an “insider”) or the communications of MNPI to others.

While the law concerning insider trading is not static, it is generally understood that the law prohibits:

- trading by an insider, while in possession of MNPI;
- trading by a non-insider, while in possession of MNPI, where the information either was disclosed to the non-insider in violation of an insider’s duty to keep it confidential or was misappropriated; or
- communicating MNPI to others (i.e. “tipping”).

The elements of insider trading and the penalties for such unlawful conduct are discussed below. If, after reviewing this policy statement, any Supervised Person has any questions they should consult the CCO.

#### **Who is an Insider?**

The concept of “insider” is broad. It includes officers, directors and employees of a company. In addition, a person can be a “temporary insider” if they enter into a special confidential relationship in the conduct of a company’s affairs and as a result are given access to information solely for the company’s purposes. A temporary insider can include, among others, a company’s attorneys, accountants, consultants, bank lending officers, and the employees of such organizations. In addition, CA BDC Advisers may become a temporary insider of a company it advises or for which it performs other services. According to the Supreme Court, the company must expect the outsider to keep the disclosed non-public information confidential and the relationship must at least imply such a duty before the outsider will be considered an insider.

#### **What is Material Information?**

“Material information” generally is defined as information for which there is a substantial likelihood that a reasonable investor would consider it important in making their investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company’s securities. Information that Supervised Persons should consider material includes, but is not limited to:

- merger or acquisition proposals or agreements;
- news of a significant sale of assets or the disposition of a subsidiary;
- liquidation problems;
- major contract awards;
- the gain or loss of a substantial customer or supplier;
- pricing changes or discount policies;
- notice of issuance of patents;
- significant new products, processes or discoveries;
- major litigation or regulatory inquiries;
- extraordinary management developments;
- earnings estimates (or results);
- changes in previously released earnings estimates;
- current financial performance;
- changes in dividend amounts or policies or the declaration of a stock split or the offering of additional securities; and/or
- significant write-offs or restatements.

#### **What is Non-Public Information?**

Information is non-public until it has been effectively communicated to the marketplace. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, the Wall Street Journal or other publications of general circulation would be considered public. Common examples of non-public information include information provided to a select group of analysts that is not made available to the investment community at large, information about a company that has not been disseminated by such company in a press release, or information received as a “tip” from a person who owes a duty of trust or confidentiality with respect to such information.

#### **Penalties for Insider Trading**

Any violation of this policy statement can be expected to result in serious sanctions by CA BDC Advisers, which may include dismissal of the persons involved.

Penalties for trading on or communicating MNPI are severe, both for individuals involved in such unlawful conduct and their employers. A person can be subject to some or all of the penalties below even if they do not personally benefit from the violation. Penalties include:

- civil injunctions;
- treble damages (triple the amount of compensatory/actual damages);
- disgorgement of profits;
- jail sentences;
- fines for the person who committed the violation of up to three times the profit gain or loss avoided, whether or not the person actually benefited; and
- fines for the employer or other controlling person of up to the greater of \$100,000 or three times the amount of the profit gained or loss avoided.

#### 4) Procedures To Implement Policy Against Insider Trading

The following procedures have been established to aid Supervised Persons in avoiding insider trading and to aid CA BDC Advisers in preventing, detecting and imposing sanctions against insider trading. Every Supervised Person must follow these procedures or risk serious sanctions, including dismissal, substantial personal liability and criminal penalties. If employees have any questions about these procedures, they should consult the CCO.

##### Identifying Insider Information

- Before engaging in personal trading or trading for Funds in the securities of a company which has publicly traded securities (even if the information relates to such company's non-publicly traded securities), Supervised Persons should ask the following questions about any information that may be MNPI prior to communicating such information to any person other than the CCO:
  - Is the information material? Is this information that an investor would consider important in making his or her investment decisions? Is this information that would substantially affect the market price of the securities if generally disclosed?
  - Is the information non-public? To whom has this information been provided? Has the information been effectively communicated to the marketplace (e.g., by being published in Reuters, the Wall Street Journal or other publications of general circulation or made available broadly to security holders)?
  - Has this information been obtained from a company or from another source (including an immediate family member) as a result of a breach of a duty of trust or confidence by that source?
- If, after consideration of the above, there is a possibility that the information could be material and non-public, or if there are questions as to whether the information is material and non-public, the following steps should be taken:
  - The matter should be reported immediately to the CCO.
  - The securities should not be purchased or sold personally or on behalf of a Fund or for any of the Supervised Person's Personal Accounts;
  - The information should not be communicated inside or outside CA BDC Advisers, other than to the CCO.
- After the CCO has reviewed the issue or consulted with counsel (as the CCO deems appropriate), the CCO will determine whether to:
  - continue the restriction on trading in such securities (by placing the security on the Restricted List (as defined below));
  - permit trading in such securities and communication of the information (either in Personal Accounts or Fund accounts);
  - create an "ethical wall" to limit the information to certain Supervised Persons and instruct the Supervised Person that they may communicate the information only to Supervised Persons that are appropriately "walled off" by confidentiality agreement or otherwise; or
  - take any other action the CCO deems appropriate.

##### Restricting Access to MNPI

If a Supervised Person is in possession of information that they have identified as material and non-public, such information may not be communicated to anyone, including persons within CA BDC Advisers, except as permitted by the CCO (who may authorize other Supervised Persons to be put behind an "ethical wall"). In addition, care should be taken so that such information is secure. For example, files containing MNPI should be sealed; access to computer files containing MNPI should be restricted.

##### Resolving Issues Concerning Insider Trading

If after consideration of the items set forth above doubt remains as to whether such information is material or non-public, or if there is any unresolved question as to the applicability or interpretation of the foregoing procedures, or as to the propriety of any action, it must be discussed with the CCO before trading or communicating the information to anyone.

##### Officers, Directors and Employees of Public Companies

Certain Investors may serve as officers or on the Boards of publicly traded companies, which could potentially fall within CA BDC Advisers' investment universe. As such, Supervised Persons must be careful in speaking to such Investors to ensure that CA BDC Advisers does not receive any material, non-public information. In the event any Supervised Person receives material, non-public information, such Supervised Person is required to follow the guidelines and procedures relating to the handling and sharing of such information as contained in this manual.

Test Procedure	Frequency	Assignee
For the period under review: (1) verify that CA BDC Advisers has maintained a restricted list of publicly traded investments. (2) verify that no Supervised Person at CA BDC Advisers has traded an investment that was on the restricted list.	Quarterly	CCO

#### 5) Personal Account Dealings

Rule 204A-1 of the Investment Advisers Act of 1940 requires certain Supervised Persons of a Registered Investment Adviser, deemed "Access Persons" to report their personal Securities Transactions and holdings. Rule 204A-1 defines an Access Person as any Supervised Person who has access to nonpublic information regarding clients' purchase or sale of securities, who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic.

CA BDC Advisers has deemed all Supervised Persons as Access Persons. Therefore, all Supervised Persons of CA BDC Advisers are both Supervised Persons and Access Persons, and all sections of this Code apply to all Supervised Persons. This Code covers the personal investments of all Supervised Persons and their Immediate Family Members (e.g., persons sharing the same household as the Supervised Person, see Appendix A for further detail) as required by Rule 204A-1. Therefore, each Supervised Person and their Immediate Family Members must conduct all personal investments consistent with this Code.

Rule 204A-1 has certain requirements for all Registered Investment Advisers. Their Access Persons must

- report securities holdings, at the time the person becomes an access person and at least once a year thereafter; and
- disclose each quarter their personal Securities Transactions no later than 30 days after the close of the calendar quarter.

**Initial Account and Holdings Disclosure Requirement:**

Within 10 calendar days of a Supervised Person's start date, the Supervised Person is required to disclose all brokerage accounts in which they have Beneficial Ownership, including but not limited to accounts owned by Immediate Family Members. Supervised Persons must allow brokers or financial institutions to provide duplicate confirmations and statements directly to CA BDC Advisers in accounts that can hold Reportable Securities (see Exceptions below for Discretionary Management by Third Parties). If a Supervised Person's broker is unwilling or unable to provide duplicate confirmations and statements, the Supervised Person is required to provide them to CA BDC Advisers' CCO.

Within 10 calendar days of a Supervised Person's start date, all holdings in Reportable Securities that are beneficially owned by the Supervised Person must be disclosed, excluding those managed by a Third Party. Holdings information must be current as of 45 days prior to the Supervised Person's start date.

**Ongoing Disclosure Requirements**

**Accounts:** Supervised Persons must promptly disclose any newly opened accounts under their Beneficial Ownership, including those owned by Immediate Family Members, that have the ability to hold Reportable Securities.

**Transactions/Holdings:** Supervised Persons must ensure that the CCO receives duplicate statements and trade confirmations for all Reportable Securities (see Exceptions below for Discretionary Management by Third Parties) in one of the three ways listed below:

1. Electronic feeds – Supervised Persons are encouraged to deal through brokers that provide Compliance with trade confirmations and holdings via electronic feed. This provides Compliance with the most timely and accurate account information.
2. Broker delivery of duplicate confirmations and statements – In jurisdictions where applicable, Supervised Persons should allow for brokers to provide delivery of duplicate confirmations and statements directly to Compliance. Compliance staff will enter trade details for Supervised Persons that utilize this option.
3. Supervised Person upload of confirmations and statements – If neither of the above options is possible, Supervised Persons are required to enter trade details into the Firm's compliance management system, MyComplianceOffice ("ACA Compliance Alpha") and upload the trade confirmation (or quarterly statement).

**Attestation Requirements:**

**Annually:**

- Account Attestation (For Accounts that have the ability to hold Reportable Securities)
- Holdings Attestation (For Reportable Securities)

**Quarterly:**

- Quarterly Trades Attestation (For Reportable Securities)

**Private Placements and Initial Public Offerings (IPOs)**

Supervised Persons must request pre-approval prior to investing in a private placement or limited offering by submitting a request in ACA Compliance Alpha.

No Supervised Person shall acquire any security issued in any limited or private offering (please note that hedge funds are sold as limited or private offerings) unless CA BDC Advisers gives express prior written approval. In determining whether approval should be given, CA BDC Advisers may take into account, among other factors, whether the investment opportunity should be reserved for a Client and whether the opportunity is offered to the individual by virtue of his or her position with CA BDC Advisers.

Rule 204A-1 requires Access Persons to request approval before investing in an Initial Public Offering ("IPO"). Supervised Persons must submit this request in ACA Compliance Alpha.

**Exceptions:**

Rule 204A-1 permits two exceptions that are applicable to CA BDC Advisers related to personal securities reporting in Reportable Securities. No disclosures are required:

- with respect to transactions effected pursuant to an Automatic Investment Plan; or
- with respect to securities held in accounts over which the access person had no direct or indirect influence or control

In order to rely upon this provision, Supervised Persons are required to certify on a periodic basis that they do not have ability to influence or control investment decisions made for the managed account.

**Additional Restrictions for Personal Account Dealings Established by CA BDC Advisers**

CA BDC Advisers maintains a Restricted List that is available to all Supervised Persons and is maintained electronically by the CCO or Designee. CA BDC Advisers believes the use of a Restricted List is appropriate due to the nature of its investments in order to prevent the use of nonpublic information by CA BDC Advisers or its Supervised Persons. CA BDC Advisers believes the use of a Restricted List will be infrequent. Supervised Persons are responsible for ensuring they do not trade in a security on the Restricted List.

Once a company is on the Restricted List, any trading in a Client or Supervised Person account will be restricted until the security has been removed from the list.

CA BDC Advisers utilizes its Restricted List to prohibit insider trading by CA BDC Advisers and its Supervised Persons. Employee holdings are reviewed quarterly against the Restricted List for non-compliance.

Test Procedure	Frequency	Assignee
For the period under review, confirm that all Supervised Persons and their Immediate Family Members: (1) reported securities holdings, at least once a year. (2) disclose each quarter their personal Securities Transactions no later than 30 days after the close of the calendar quarter.	Quarterly	CCO
For the period under review, confirm that all employees have attested to not investing in IPOs that have not been pre-approved.	Quarterly	CCO
For the period under review, confirm that within 10 calendar days of a Supervised Persons start date, the Supervised Person has disclosed all brokerage accounts and all holdings in reportable securities.	Quarterly	CCO
For the period under review, confirm that all Supervised Persons have attested to accounts they hold and holdings in those accounts, as well as their trade activity.	Quarterly	CCO
For the period under review, confirm that all Supervised Persons have requested pre-approval prior to investing in a private placement or limited offering by submitting a request in ACA Compliance Alpha. Note that this review is completed when an employee submits their annual attestation of investments, including private placements. Any new private placements should have a corresponding approval documented. Note where the documentation is saved of non-compliance, if applicable.	Annually	CCO
For the period under review, confirm that all Access Persons that have invested in an IPO have submitted a request to do so in ACA Compliance Alpha before investing.	Quarterly	CCO
For the period under review, confirm that Supervised Persons have certified that they do not have ability to influence or control investment decisions made for any applicable managed accounts.	Quarterly	CCO

#### 6) Gifts and Entertainment

Gifts or Entertainment may create an actual or apparent conflict of interest, which could affect (or appear to affect) the recipient's independent business judgment.

Supervised Persons are required to follow the standards below regarding the acceptance or giving of gifts and entertainment with respect to all Business Partners. Supervised Persons are expected to avoid any gifts or entertainment that:

- could create an apparent or actual conflict;
- is excessive or would reflect unfavorably on CA BDC Advisers or its Clients; or
- would be inappropriate or disreputable in nature.

Supervised Persons may not take advantage of their position by requesting a gift or discount. They must not:

- Receive cash, cash equivalents, loans or personal services on behalf of CA BDC Advisers, even if these fall within the limits outlined above. This includes gift cards or certificates if they can be redeemed for cash; or
- Receive special discounts unless they are available to all other Supervised Persons (e.g., a discount coupon from a retail store).

Modest gifts and favors, which would not be regarded by others as improper, may be accepted or given on an occasional basis. Entertainment that satisfies these requirements and conforms to generally accepted business practices is also permissible.

Where there is a law or rule that applies to the conduct of a particular business or the acceptance of gifts of even nominal value, the law or rule must be followed.

A "Gift" is anything of value that is given with the intent or perceived intent to foster a legitimate business relationship. Gifts can include merchandise such as wine, gift baskets, or event tickets if the giver does not attend. No Supervised Person may receive any gift, service or other thing of excessive value from any person or entity that does business with or on behalf of CA BDC Advisers. No Supervised Person may give or offer any gift of excessive value, determined to be amounts in excess of \$500, to existing Clients, prospective clients, or any entity that does business with or on behalf of CA BDC Advisers without pre-approval by the CCO. Supervised Persons may not accept a Gift of cash or a cash-equivalent in any amount.

"Entertainment" is a meeting, meal, or other activity where both the Supervised Person and the business partner are present and have the opportunity to discuss business or any participant's employer bears the cost. It does not include events that have been organized by CA BDC Advisers directly, such as receptions following an industry gathering or multi-client entertainment. If the business partner will not be present for the event, it will be considered a Gift.

No Supervised Person may provide or accept extravagant or excessive entertainment to or from a Client, prospective client, or any person or entity that does or seeks to do business with or on behalf of CA BDC Advisers. A Supervised Person may provide or accept a business entertainment event, such as dinner, a sporting event, golf outings, etc. provided that such activities involve no more than customary amenities and the person or entity providing the entertainment is present.

While there is no maximum amount for how much may be spent or received by a Supervised Person for entertainment, Supervised Persons are expected to use good judgement and refrain from giving or accepting any entertainment that is or may be perceived as lavish or extravagant. The CCO will review expenses for excessive or extravagant entertainment expenses.

A "**Business Partner**," for the purpose of this Code, includes all current Clients, portfolio companies, and vendors with which CA BDC Advisers conducts business, any potential clients, portfolio companies, or vendors with whom CA BDC Advisers could engage in business, any registered broker-dealers, and any firms under contract to do business with CA BDC Advisers.

#### **Exempt from Disclosure of Gifts and Entertainment Requirement**

For the purposes of disclosure of gifts and entertainment the following are exempt:

- Usual and customary promotional items (e.g., t-shirts, caps, or pens marked with the vendor's logo);
- Gifts (\$500 or less) or entertainment of nominal value;
- Attendance and participation at industry sponsored events; or
- Usual and customary gifts given to or by Supervised Persons based on a personal relationship (e.g., the vendor and Supervised Person have a family relationship that preceded interaction at the Firm).

#### **Approval Process**

Any Gift or Entertainment whose value exceeds the relevant stated limit listed above, or that is otherwise impermissible due to other listed restrictions, constitutes violation of the Code. Any request for an exception must be entered into ACA Compliance Alpha and CA BDC Advisers' CCO, or Designee, will review and approve or deny any exceptions to the Code.

#### **Anti-Corruption and Anti-Bribery**

Under the Foreign Corrupt Practices Act ("FCPA") CA BDC Advisers could face potentially serious civil and/or criminal penalties for offering, promising, paying, or authorizing any bribe, kickback or similar improper payment to any foreign official, foreign political party or official or candidate for foreign political office in order to assist CA BDC Advisers in obtaining, retaining, or directing business, including investments in the Funds. As a matter of policy, CA BDC Advisers strictly complies with the FCPA. All Supervised Persons are expected to carefully read this policy and to contact the CCO with any questions.

Under the FCPA, a "foreign official" includes any officer or employee of a foreign government or any department, agency or instrumentality thereof. Importantly, all government employees are covered by this definition, as are employees of government-owned business entities and sovereign wealth funds. The FCPA does permit certain small "facilitating" or "expediting" payments to foreign officials to ensure that they perform routine, nondiscretionary governmental duties (e.g. obtaining permits, licenses, or other official documents; processing governmental papers, such as visas and work orders; providing police protection, mail pick-up and delivery; providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products; and scheduling inspections associated with contract performance or transit of goods across country). The FCPA also permits payment or reimbursement of reasonable and bona fide expenses of a foreign official (e.g., travel and lodging expenses) relating to the promotion, demonstration or explanation of a product or service or to the execution or performance of a contract with a foreign government. However, it should be noted that these are narrowly defined exceptions and defenses. The FCPA also prohibits payments to third parties, such as a placement agent, with knowledge that all or a portion of the payment will be passed on to a foreign official. Actual knowledge is not required; constructive knowledge, or the expectation that a person should reasonably know something, is sufficient.

In order to minimize the chance that CA BDC Advisers could violate the FCPA or similar foreign laws, Supervised Persons must obtain the written approval of the CCO prior to making any payment or giving certain gifts or other thing of value (including paying for entertainment or travel related expenses), or offering to do the same, to any:

- official of a foreign government;
- employee of any government-controlled foreign business;
- sovereign wealth fund, employee or representatives of a sovereign wealth fund, or third party associated with a sovereign wealth fund's investment process or investment due diligence; or

- foreign political party or official or candidate for foreign political office.

This policy applies without regard to the purpose or motivation behind the giving of such payment, gift, or other thing of value. The CCO may consult with legal counsel or outside compliance consultants to determine if such payments, gifts or entertainment would implicate FCPA concerns (or other legal concerns). As a general matter, the giving of any such payments, gifts, or other things of value will not be permitted.

The CCO will document any exceptions to this general policy.

In addition, in the future, to the extent CA BDC Advisers utilizes placement agents or other intermediaries to solicit Investors in foreign countries, the CCO will review placement agent agreements for appropriate written representations, including, among other things, that the placement agent or other intermediary will act in accordance with U.S. and foreign laws, including the FCPA. CA BDC Advisers also requires placement agents or other intermediaries that solicit investors in foreign countries to disclose to CA BDC Advisers any relationships with foreign government officials in the country in which it will operate. The CCO must expressly authorize the placement agents or intermediaries to solicit investments in foreign countries. Further, CA BDC Advisers requires that placement agents immediately notify the CCO if they have reason to believe an employee of the placement agent has engaged in activities that violate the FCPA. The CCO may work with legal counsel or outside compliance consultants to determine the appropriate course of action if so notified. Finally, on a periodic basis, the CCO will require such placement agents or intermediaries to renew appropriate representations relating to compliance with the FCPA.

CA BDC Advisers reviews its policies and procedures with respect to the FCPA with Supervised Persons as part of CA BDC Advisers' periodic compliance training.

Test Procedure	Frequency	Assignee
For the period under review, confirm that the CCO reviewed expenses for excessive or extravagant entertainment expenses. To the extent that expenses are requested for reimbursement, state where documentation of such review exists.	Quarterly	CCO
For the period under review, document any known non-compliance. For the period under review, note any requests for gift limit exception entered into ACA Compliance Alpha and the confirmed approval of CA BDC Advisers' CCO, or Designee.	Annually	CCO
For the period under review, document any exception to the no gifts to Foreign Officials rule. If applicable, state where the written approval of the CCO is located.	Annually	CCO
For the period under review, if CA BDC Advisers utilized placement agents or other intermediaries to solicit Investors in foreign countries, verify that the CCO reviewed placement agent agreements for appropriate written representations. State where the CCO has expressly authorized the placement agents to solicit investments in foreign countries. To the extent applicable, ensure that the CCO has required such placement agents to renew appropriate representations relating to compliance with the FCPA.	Annually	CCO

#### 7) Political Contributions

CA BDC Advisers has implemented the following restrictions to adhere to the "Pay-to-Play" Rule (Rule 206(4)-5) and to mitigate any associated risks.

Supervised Persons and their Immediate Family are prohibited from making political contributions without preapproval by the CCO. Preapproval for contributions to individual candidates, incumbents, political action committees, and similar vehicles must be requested in ACA Compliance Alpha.

Upon commencement of employment, the CCO, or an appropriate Designee, will request reporting of all recent political contributions. The disclosure should include contributions made by Immediate Family as well. The report should include the individual or election committee receiving the contribution, the office for which the individual is running, the current elected office held (if any), the dollar amount of the contribution or value of the donated item and whether or not the Supervised Person is eligible to vote for the candidate.

Test Procedure	Frequency	Assignee
For the period under review, note if there were any political contribution preapprovals.	Annually	CCO
For the period under review, confirm that all new hires submitted their attestation of all recent political contributions of themselves and their Immediate Family in ACA Compliance Alpha.	Annually	CCO

**8) Outside Business Activities**

Supervised Persons must not engage in activities that create, or appear to create, conflict of interest or otherwise might jeopardize the integrity or reputation of CA BDC Advisers. Supervised Persons are prohibited from receiving compensation from third parties for speaking engagements on investment-related topics. Additionally, certain outside business activities ("OBAs") require pre-approval. Supervised Persons should promptly notify the CCO of any other circumstances arising that may create, or appear to create, a conflict of interest or otherwise may jeopardize the integrity or reputation of the Firm or its clients.

Without receiving approval via ACA Compliance Alpha, no Supervised Person shall:

- accept, directly or indirectly, compensation of any nature as a bonus, commission, fee, gratuity, or other consideration in connection with any transaction on behalf of the Firm or a Client from any Person, firm, corporation or association, other than the Firm or an affiliate thereof; or
- acquire, directly or indirectly, any equity or other ownership or financial interest in any other organization engaged in any securities, financial or related business, except for (i) a minority equity or other ownership or other financial interest in any business that is publicly traded, or (ii) an equity or other ownership or financial interest through any account over which the Supervised Person has no direct or indirect influence or control.

Supervised Persons must receive approval via ACA Compliance Alpha prior to engaging in any outside business activity:

- that involves a significant amount of time or provides a significant amount of income;
- that is investment-related, including activities on behalf of a non-profit;
- that involves service on the board of directors of a publicly traded company (will generally not be permitted);
- that involves serving as an employee, independent contractor, sole proprietor, officer, director or partner of a for-profit business;
- that involves serving as a director, officer or executive management of a non-profit entity or performing investment-related functions on its behalf; or
- that involves engaging in any other outside employment or activity (paid or unpaid) that may give rise to a conflict with CA BDC Advisers, one of its Funds, or Fund Investors or other risk (e.g., operating a blog that provides financial advice).

At all times, the interests of the Firm and its Clients take priority over the outside business activities of Supervised Persons. An outside business activity may never:

- present a substantial risk of confusing Clients or the public as to the capacity in which the Supervised Person is acting;
- pose a reputational risk for the Firm;
- inappropriately influence a Supervised Person's business dealings or otherwise create a conflict of interest vis-à-vis the interests of CA BDC Advisers or its Funds, or a Fund Investor; or
- involve use of information relating to CA BDC Advisers, any Fund or other proprietary information.

**Immediate Family**

While CA BDC Advisers does not require pre-approval of the OBAs undertaken by a Supervised Person's Immediate Family, the Supervised Person must contact the CCO if they believe the outside activity by their Immediate Family could create or appear to create a conflict of interest or otherwise may jeopardize the integrity and reputation of CA BDC Advisers.

Test Procedure	Frequency	Assignee
For the period under review, note if any requests for outside business activities were granted pre-approval. For the period under review, note any instance and the conclusion of the instance, where a Supervised Person contacted the CCO because the OBA of their Immediate Family could create or appear to create a conflict of interest.	Annually	CCO

## Appendix A - Glossary

**Access Person** - Access Persons are Supervised Persons who:

- have access to non-public information regarding CA BDC Advisers' Funds, or non-public information regarding the portfolio holdings of any of CA BDC Advisers' Funds, or any CA BDC Advisers services;
- are involved in making investment recommendations to Clients, or have access to such recommendations that are non-public;
- in connection with their regular functions or duties, make, participate in or obtain information regarding transactions in CA BDC Advisers' Funds or their functions relate to the making of any recommendations with respect to CA BDC Advisers' Funds;
- are personnel, such as client service representatives, administrative and technical staff, who may qualify as Access Persons if their job functions give them access to material non-public information or client or fund information;
- are any other person designated by the CCO as necessary.

**Account** - Any accounts in which Securities (as defined below) transactions can be effected including:

- any accounts held by any Supervised Person;
- accounts of the Supervised Person's Immediate Family members (any relative by blood or marriage) living in the Supervised Person's household or is financially dependent;
- accounts held by any other related individual over whose account the Supervised Person has discretionary control;
- any other account where the Supervised Person has discretionary control and materially contributes; and
- any account in which the Supervised Person has a direct or indirect beneficial interest, such as trusts and custodial accounts or other accounts in which the Supervised Person has a beneficial interest or exercises investment discretion.

**Advisers Act** - refers to the Investment Advisers Act of 1940, as amended

**Automatic Investment Plan** - A program in which regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation. An Automatic Investment Plan includes a dividend reinvestment plan.

**Beneficial Ownership** - The Code applies to all accounts and securities beneficially owned by you as well as accounts under your direct or indirect influence or control. Essentially, this means that if you have the ability to profit, directly or indirectly, or share in any profit from a transaction, you have Beneficial Ownership. If you are unsure if an account or investment falls under your beneficial ownership, contact the CCO for further guidance.

**Practical Application of Beneficial Ownership:**

- You live with your parents: If you live in your parents' house but do not financially support your parents, your parents' accounts and securities are not beneficially owned by you and do not require disclosure.
- Your parent lives with you: If you provide financial support to your parent, your parent's accounts and securities are beneficially owned by you and require disclosure.
- You have an adult child living in your home: If you provide financial support to your child, your child's accounts and securities are beneficially owned by you and require disclosure.
- You have a college-age child: If your child is in college and you still claim the child as a dependent for tax purposes, you are the beneficial owner of their accounts and securities.
- Your child has an UGMA/UTMA account: If you (or your spouse) are the custodian for the minor child, the child's accounts are beneficially owned by you. If someone other than you (or your spouse) is the custodian for your minor child's account, the account is not beneficially owned by you.
- You have a domestic partner or similar cohabitation arrangement: If you contribute to the maintenance of a household and the financial support of a partner, your partner's accounts and securities are beneficially owned by you and require disclosure.
- You have a roommate: Generally, roommates are presumed to be temporary and therefore you have no beneficial ownership in one another's accounts and securities.
- You have power of attorney: If you have been granted power of attorney over an account, you are not the beneficial owner of the account until the time that the power of attorney has been activated.
- You are the trustee and/or the beneficiary of a trust: Due to the complexity and variety of trust agreements, these situations require case-by-case review by the CCO.

**Chief Compliance Officer ("CCO")** - The CCO as referenced is Collin Whitten, so designated by CA BDC Advisers. The CCO may designate additional individuals, where appropriate, to operate in the capacity of the CCO as outlined in this Code.

**Client** - CA BDC Advisers funds and investors within those funds

**Code** - refers to this Code of Ethics

**Designee** - a member assigned by the CCO to assist with the monitoring and enforcement of CA BDC Advisers' Compliance Program. The CCO may appoint employees of CA BDC Advisers, a third-party consultant and/or any other individual or entity the CCO deems appropriate.

**Firm** - refers to Chicago Atlantic BDC Advisers, LLC

**Foreign Corrupt Practices Act (“FCPA”)** – refers to the Foreign Corrupt Practices Act of 1977, as amended. The FCPA was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti-bribery provisions of the FCPA prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person.

**Fund** - Any fund or business development company managed by CA BDC Advisers

**Immediate Family Member of a Supervised Person** – means:

- any of the following persons sharing the same household with the Supervised Person (which does not include temporary house guests): a person’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, legal guardian, adoptive relative, or domestic partner;
- any person sharing the same household with the Supervised Person (which does not include temporary house guests) that holds an account in which the Supervised Person is a joint owner or listed as a beneficiary; or
- any person sharing the same household with the Supervised Person in which the Supervised Person contributes to the maintenance of the household and material financial support of such person.

**Initial Public Offering (“IPO”)** - generally refers to when a company first sells its shares to the public

**Investor** - Investors in at least one CA BDC Advisers fund or fund-related investment vehicle

**Material Non-Public Information (“MNPI”)** – Any information that has not been publicly disseminated, or that was obtained legitimately while acting in a role of trust or confidence of an issuer or that was obtained wrongfully from an issuer or such person acting in a role of trust or confidence that a reasonable investor would consider important in making a decision to buy, hold or sell a company’s securities. Regardless of whether it is positive or negative, historical or forward looking, any information that a reasonable investor could expect to affect a company’s stock price. Material Nonpublic Information may include:

- projections of future earnings or losses;
- news of a possible merger, acquisition or tender offer;
- significant new products or services or delays in new product or service introduction or development;
- plans to raise additional capital through stock sales or otherwise;
- the gain or loss of a significant customer, partner or supplier;
- discoveries, or grants or allowances or disallowances of patents;
- changes in management;
- news of a significant sale of assets;
- impending bankruptcy or financial liquidity problems; or
- changes in dividend policies or the declaration of a stock split.

**ACA Compliance Alpha** – An on-line compliance management application used for Supervised Persons to disclose all personal compliance disclosures including items found in Section 5 - Personal Account Dealing.

**Reportable Securities** – Rule 204A-1 treats all securities as reportable securities, with five exceptions designed to exclude securities that appear to present little opportunity for the type of improper trading on behalf of a Supervised Person which the restrictions are designed to mitigate and /or uncover. These include:

- transactions and holdings in direct obligations of the Government of the United States.
- money market instruments — bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments.
- shares of money market funds.
- transactions and holdings in shares of other types of mutual funds, unless the adviser or a control affiliate acts as the investment adviser or principal underwriter for the fund.
- transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.

**Securities Transactions** – The term “Securities Transactions” as used within this Code typically refers to the purchase and/or sale of Securities, (as defined herein), by a Supervised Person. Securities Transactions shall include any gift of Reportable Securities that is given or received by the Supervised Person, including any inheritance received that includes Reportable Securities.

**Supervised Person** – The Advisers Act defines “Supervised Person” to mean any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

Also referred to as “Supervised Persons” or “Access Persons” in this Code. Supervised Persons of CA BDC Advisers include all directors, officers, and any other personnel as designated as a Supervised Person by the CCO.

Appendix B – Revision History

Revision Date:	04/2023: Update to CCO
Revision Date:	12/2023: Test Procedure tables added
Revision Date:	06/2024: Update to CCO
Revision Date:	10/2024: Update to reflect firm name change

## Chicago Atlantic BDC, Inc. Insider Trading Policy and Procedures

Chicago Atlantic BDC, Inc. (the "Company") has adopted this policy and procedure on insider trading (the "Policy") which applies to each Officer and Director of the Company and members of their respective families/household <sup>1</sup>. Furthermore, the Company CCO will ensure that any such each of the Fund's service providers, each of which may have regular access to material information that is not publicly available, has policies and procedures to prevent insider trading. Under this Policy, the Officers and Directors, are forbidden from:

- trading in any securities on the basis of material, nonpublic information ("MNPI") or inside information <sup>2</sup>.
- having others trade for such person in such securities while he or she is in possession of MNPI.
- recommending trading in a security to which MNPI relates, or otherwise recommend the purchase or sale of any such securities.
- communicating (or "tipping") to others confidential or nonpublic information concerning the Company or other companies.

This Policy contains a discussion of insider trading and describes the special trading restrictions applicable to those subject to these requirements.

**What is "Insider Trading?"**

Insider trading is a violation of the Company's policy and a violation of the Federal Securities Laws.

The term "insider trading" generally is used to refer to the use of MNPI to trade in securities, or the communication of MNPI to others who may trade on the basis of such information.

While the law concerning insider trading is not static, it is generally understood that the law prohibits "insiders" from:

- trading in impacted securities while in possession of MNPI.
- having others trade on the insider's behalf while the insider is in possession of MNPI.
- communicating nonpublic information to others who may then trade impacted securities or pass on the information to others who may trade impacted securities. Such conduct, also known as "tipping," results in liability for the insider who communicates the information, even if the insider does not actually trade, and for the person who receives and trades on such information.

The elements of insider trading and the potential penalties for such unlawful conduct are discussed below in this Policy.

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<sup>1</sup> For purposes of this Policy, members of your family/household include: (i) your spouse or domestic partner (unless they do not live in the same household as you and you do not contribute in any way to their support); (ii) your children under the age of 18; (iii) your children who are 18 or older (unless they do not live in the same household as you and you do not contribute in any way to their support); and (iv) any of your stepchildren, grandchildren, parents, stepparents, grandparents, brothers, sisters, parents-in-law, sons-in-law, daughters-in-law, brothers-in-law and sisters-in-law (including in each case adoptive relationships) who live in your household.

<sup>2</sup> Any securities about which an insider has MNPI, including securities of the Company, are henceforth referred to as "impacted securities".

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**Who is an Insider?**

The concept of “insider” is broad and generally includes any person who possesses nonpublic information about the Company and who has a duty to the Company to keep this information confidential. In the case of the Company, “insiders” include officers and directors of the Company and any Access Person (as defined in the Investment Advisers Act of 1940) of the Company’s investment adviser or person who may have regular access to MNPI. In addition, a person can be a “temporary insider” if he/she enters into a relationship to serve the Company and as a result gains access to inside information. Outsiders who routinely become temporary insiders include, among others, the Company’s attorneys, accountants, consultants and other service providers.

**What is Material Information?**

Trading while in the possession of inside information is not a basis for liability unless the information is “material.” Information is generally defined as material if there is a substantial likelihood that a reasonable investor would consider such information important in making his or her investment decisions, or information that is reasonably certain to affect the price of impacted securities. It is important to remember that materiality will always be judged with the benefit of hindsight. Simply stated, “inside” information could be material because of its expected effect on the price of securities. Whether a particular event or fact constitutes material information will depend on the surrounding facts and circumstances and must be decided on a case-by-case basis. You should consult with the Company CCO if there appears to be any potential question as to whether non-public information is material.

Material information concerning a company may include, but is not limited to:

- Dividend or earnings announcements;
- Asset write-downs or write-offs;
- Additions to reserves for bad debts or contingent liabilities;
- Expansion or curtailment of company or major division operations;
- Merger or joint venture announcements;
- New product/service announcements;
- Discovery or research developments;
- Criminal, civil or government investigations or indictments;
- Court decisions;
- Labor disputes;
- Debt service or liquidity problems;
- Bankruptcy or insolvency;
- Tender offers or stock repurchase plans;
- Capital raising plans; or
- Recapitalization plans.

**What is Nonpublic Information?**

In order for information to qualify as “inside” information it must not only be “material,” it must be “nonpublic.” “Nonpublic” information is information which has not been made available to investors generally. This includes information received from sources or in circumstances indicating that the information has not yet been generally circulated.

At such time as MNPI has been released to the investing public, it loses its status as “inside” information. However, for “nonpublic” information to become public information it must be disseminated through recognized channels of distribution designed to reach the securities marketplace, and sufficient time must pass for the information to become available in the market.

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MNPI is not made public by selective dissemination. Material information improperly disclosed only to a select group of investors or analysts retains its status as “nonpublic” information the use of which is subject to insider trading laws, as well as constituting a violation of the SEC’s prohibition against selective disclosure. Similarly, partial disclosure does not constitute public dissemination. So long as any material component of the “inside” information has yet to be publicly disclosed, the information is deemed “nonpublic.”

#### **Penalties for Insider Trading**

Penalties for trading on or communicating MNPI are severe, both for the individuals involved in such unlawful conduct and, potentially, for their employers. A person can be subject to some or all of the penalties below, even if he or she does not personally benefit from the violation (i.e., if the violation was one for tipping information). Penalties include:

- Cancellation of trades;
- Employment actions up to and including termination and referral to regulatory and/or law enforcement authorities;
- jail sentences of up to ten (10) years (twenty-five (25) years if the conduct constitutes fraud);
- disgorgement of profits;
- fines for the person who committed the violation of up to three times the profit gained, or loss avoided, whether or not the person actually benefited; and/or
- fines for the employer of other controlling person(s), such as a supervisor, of up to the greater of \$1 million or three times the amount of the profit gained, or loss avoided.

The foregoing should be understood as a brief synopsis of a complex legal subject matter and shall not be deemed to prohibit conduct that is otherwise lawful and consistent with fiduciary duty.

#### **Rule 10b5-1 Trading Plans**

On December 14, 2022, the Securities and Exchange Commission adopted new and amended rules focused on Rule 10b5-1 trading arrangements and other securities transactions involving corporate insiders, including directors and officers (“Trader(s)” or “insider”).

Traders may use Rule 10b5-1 trading plans (“Trading Plan”) to sell and buy stock, and the Company may use such plans when conducting stock buybacks. Properly used, Rule 10b5-1 trading plans will help the Company and its insiders establish an affirmative defense to insider trading laws when engaging in everyday stock transactions.

It is the Company’s policy to meet the requirements of Rule 10b5-1 for securities transactions executed according to a plan entered into, where the Trader does not have material nonpublic information, or MNPI, about the Company.

#### *Good faith requirement*

The Company and Traders must adopt Rule 10b5-1 trading plans in good faith and must act in good faith with respect to the plan from the time of adoption through the duration of the plan.

#### *Mandatory cooling-off periods for insiders*

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Rule 10b5-1 requires the follow cooling-off period between the date a Trading Plan is adopted and the date of the first by Traders in relation to the adoption of modification of a Trading Plan:

- At least 90 days for directors and officers. A cooling-off period begins on the date of plan adoption or modification by a Company director or officer and ends the later of (1) 90 days thereafter and (2) two business days following filing of a Form 10-Q or 10-K covering the financial reporting period in which the plan was adopted or modified, but in no event later than 120 days.
- 30 days for traders other than directors and officers. A cooling-off period begins on the date of plan adoption or modification for traders other than directors and officers.

Under Rule 10b5-1, only certain types of plan modifications will trigger a new cooling-off period. Modifications that do not change the pricing, amount of securities or timing of trades will not trigger a new cooling-off period. Instances where a broker executing trades on behalf of the insider under Rule 10b5-1 is substituted by a different broker would not require triggering of a cooling-off period, so long as the purchase or sales instructions remain the same.

*Prohibition on insiders adopting overlapping plan*

Rule 10b5-1 restricts anyone other than the Company from using multiple overlapping Trading Plans.

- Series of contracts treated as a single plan. A series of separate contracts with different brokers may be treated as a single plan so long as the contracts taken together meet the conditions under the rule (but a modification of any contract would be treated as a modification of each other contract under the plan).
- Overlapping plans that do not authorize trading during same period allowed under certain circumstances. Multiple concurrent Rule 10b5-1 plans are permitted if trading under a later commencing plan is not authorized until all trades under earlier-commencing plans are completed.

However, where the first trade under a later-commencing plan is scheduled during what would have been the cooling-off period for that plan assuming the termination date of the earlier- commencing plan were deemed to be the date of adoption of the later-commencing plan, then Rule 10b5-1 would not be available for the later-commencing plan.

- "Sell-to-cover" tax withholding plans allowed. A separate plan is permitted for purposes of "sell- to-cover" transactions under which the insider instructs their broker to sell securities to satisfy tax withholding obligations in connection with the vesting of incentive compensation. This exception does not apply to sell-to-cover in connection with option exercises.

*Limitation on single-trade plans*

A Trading Plan is permitted for only one "single trade" plan entered into by a Trader during any 12- month period. The single-trade limitation also allows sell-to-cover transactions, mirroring the accommodation described above in the context of overlapping plans.

*Officer and director representations*

Upon adopting a Trading Plan, the relevant officer or director of the Company is required to certify to the company in writing that that at the time of the adoption of a new or modified Rule 10b5-1 Trading Plan they are not aware of any MNPI about the Company or its securities, and that they are adopting the plan in good faith and not as part of a plan to evade the prohibition against illegal insider trading. The representations may be included in a Rule 10b5-1 plan's documentation.

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*Non-Rule 10b5-1 trading arrangements*

A trading arrangement with respect to a Company insider would be a “non-Rule 10b5-1 trading arrangement” where the insider asserts that, at a time when they were not aware of material nonpublic information about the security or the issuer of the security, they adopted a written arrangement for trading the securities; and the trading arrangement:

- Specified the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be subsequently purchased or sold;
- Included a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which the securities were to be purchased or sold; or
- Did not permit the insider to exercise any subsequent influence over how, when, or whether to effect purchases or sales; provided, in addition, that any other person who, pursuant to the trading arrangement did exercise such influence must not have been aware of material nonpublic information when doing so.

*Mandatory disclosure of trading plans and insider-trading policies*

There are disclosure requirements for both Trading Plans and the Company’s insider trading policies that apply whether or not trading plans are entered into by the Company or Traders pursuant to Rule 10b5-1.

Quarterly disclosure of trading plans (but not pricing terms). The Company is required, under Item 408(a) of Regulation S-K, to disclose in its periodic reports (Forms 10-K and 10-Q) any Trading Plans adopted or terminated by any officer or director during the previous quarter, whether or not adopted under Rule 10b5-1, along with a description of the material terms of the plans. The required disclosures include:

- the name and title of officer or director,
- the date of adoption or termination,
- the duration of the plan, and
- the aggregate amount of securities to be sold or purchased under the plan. Note: The disclosure of pricing terms is not required.

With respect to any given trading arrangement subject to disclosure under Item 408(a) the Company is required to disclose the adoption, modification, or termination of any such trading arrangement, indicating whether or not is a Rule 10b5-1 Trading Plan.

Annual disclosure of insider-trading policies. The Company is required, under Item 408(b) of Regulation S-K, to state in its annual report whether it has adopted policies and procedures for directors, officers and employees, and the Company itself, that are reasonably designed to promote compliance with insider trading laws (or explain why not).

These disclosures are required in annual reports on Form 10-K, proxy and information statements on Schedules 14A and 14C. These disclosures will be subject to the certifications required by the Sarbanes- Oxley Act of 2002, requiring principal executive and financial officers to attest to the accuracy of the statements in Form 10-K.

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The Company is required to file a copy of their insider trading policies and procedures as an exhibit to the relevant form, rather than within the body of the relevant report or statement.

*Beneficial Ownership Reporting (Section 16)*

Insiders subject to Section 16 reporting are required identify whether a sale or purchase reported on either Form 4 or 5 was made pursuant to a Trading Plan intended to satisfy the conditions of a Rule 10b5-1 trading arrangement.

**Option grant disclosure**

The Company is required, under Item 402(x) of Regulation S-K, to provide narrative disclosure in the proxy statement about its option granting policies and practices regarding the timing of option grants and the release of MNPI. The disclosures should include, where applicable, how Company Directors determine when to grant options and whether and how MNPI is taken into account. The Company must also provide annual proxy statement disclosure of each award of stock options, stock appreciation rights or similar awards that the Company granted.

Disclosures must describe any award granter during the prior year to its named executive officers made in the four business days before the filing of a periodic report (Form 10-K or 10-Q) or reporting of MNPI on Form 8-K (including earnings, but excluding a Form 8-K that is filed to disclose a material option grant under Item 5.02(e)) and ending one business day after a triggering event.

Disclosure of a awarded grants is required in tabular format, tagged in Inline XBRL, and must include for each named executive officer, on an-award-by-award basis:

- the date of grant,
- the number of shares underlying the award,
- the exercise price,
- the grant date fair value of the award, and
- the percentage change in the market price of the underlying shares between the closing market price on the trading day before and the trading day after disclosure of the MNPI (combining the final two columns in the proposed rule into a single column).

**General Process**

There are times when persons associated with the Company may, as a result of such association, have access to MNPI. Although you may not know the specifics of the material nonpublic development, if you engage in a personal security transaction before such development is disclosed to the public you might expose yourself and the Company to a charge of insider trading. In addition, a trade by you during such a development could result in significant adverse publicity for the Company.

Employees of the Company's Service Providers may also be deemed to be insiders and may also be subject to the insider trading restrictions of their respective employer.

**Black-Out Period and Trading Window**

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#### *Trading Black-out Period*

A black-out period begins fifteen (15) calendar days before either the due date (which date does not include any available extension periods) of the Company's periodic or annual report on Form 10-Q or 10-K, or fifteen (15) calendar days before the scheduled public release of the Company's financial results, whichever is earlier. The black-out period ends at the beginning of the second Business Day following the date of public disclosure of the financial results for that quarter is a particularly sensitive period of time for transactions in the Company's stock from the perspective of compliance with applicable securities laws.

This sensitivity is because officers and directors will, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter during that period. Accordingly, this period is referred to as a "black-out" period.

All directors and officers and those other individuals identified by the Company from time to time and who have been notified that they have been so identified are prohibited from trading during such period. The Company will inform Insiders of the anticipated date of public disclosure of financial results upon request.

In addition, from time-to-time Material Nonpublic Information regarding the Company may be pending. While such information is pending, the Company may impose a special "black-out" period during which the same prohibitions and recommendations shall apply.

#### *Additional Trading Prohibitions*

From time to time, the Company may prohibit directors, officers and potentially a larger group of individuals including consultants and contractors from trading impacted securities because of material developments known to the Company and not yet disclosed to the public. In such event, directors, officers, and such individuals including consultants and contractors may not engage in any transaction involving the purchase or sale of the impacted securities and should not disclose to others the fact of such suspension of trading. This restriction on trading does not apply to transactions made under an approved Rule 10b5-1 trading plan. The Company would re-open the trading window at the beginning of the second Business Day following the date of public disclosure of the information, or at such time as the information is no longer material.

It should be noted that even during a trading window, any person possessing MNPI concerning the Company, whether subject to the black-out period or not, should not engage in any transactions in impacted securities until such information has been known publicly for at least one Business Day, whether or not the Company has recommended a suspension of trading to that person.

#### *Post-Termination Transactions*

If an Insider is aware of MNPI when their employment or services as a director or officer terminate, the Insider may not trade in impacted securities until that information has become public or is no longer material. If the Insider's employment or services as a director or officer terminate during a blackout period, the Insider may not trade in impacted securities until that blackout period has ended.

Any blackout period restrictions on trading do not apply to transactions made under an approved Rule 10b5-1 trading plan. Trading in impacted securities during the trading window should not be considered a "safe harbor," and all directors, officers and other persons should always use good judgment.

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Any new or modified Rule 10b5-1 Trading Plans should be submitted to the Company's CCO for pre-clearance before adoption.

The purpose of this pre-clearance is not for Company "approval" of the terms of the trading plan, but to permit the CCO to determine that the plan is being adopted outside any trading blackout period and otherwise complies with the company's insider trading policy and disclosure obligations.

*Violations of this Policy*

Any securities transactions deemed a violation of this Policy shall be immediately reported to the Company's CCO who will report such violations to the Company's Board of Directors. Insiders considered to be in violation of this Policy and/or its procedures may be subject to penalties. Any questions regarding this Policy should be directed to the Company CCO.

**Exhibit A**

- Vivek Buntly Bohra, Independent Director
  - Tracey Brophy Warson, Independent Director
  - Americo Da Corte, Independent Director
  - Michael Chorske, Independent Director
  - Patrick McCauley, Independent Director
  - Supurna VedBrat, Independent Director
-

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Sack, Chief Executive Officer of Chicago Atlantic BDC, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Chicago Atlantic BDC, Inc. (the "registrant") for the year ended December 31, 2024;
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 Annual 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 Annual 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 is made known to us by others within those entities, particularly during the period in which this Annual 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 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 31, 2025

By: \_\_\_\_\_ /s/ Peter Sack  
**Peter Sack**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

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**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Martin Rodgers, Chief Financial Officer of Chicago Atlantic BDC, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Chicago Atlantic BDC, Inc. (the "registrant") for the year ended December 31, 2024;
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 Annual 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 Annual 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 is made known to us by others within those entities, particularly during the period in which this Annual 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 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 31, 2025

By: \_\_\_\_\_  
/s/ Martin Rodgers  
**Martin Rodgers**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

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**CERTIFICATION PURSUANT TO  
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Chicago Atlantic BDC, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 1) the Company's Form 10-K for the year ended December 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) as applicable of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Company's Form 10-K for the year ended December 31, 2024 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: \_\_\_\_\_ /s/ Peter Sack  
**Peter Sack**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

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**CERTIFICATION PURSUANT TO  
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Chicago Atlantic BDC, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

- 1) the Company's Form 10-K for the year ended December 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) as applicable of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Company's Form 10-K for the year ended December 31, 2024 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: \_\_\_\_\_  
/s/ Martin Rodgers  
**Martin Rodgers**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

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