

**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, 2025
- 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)  
600 Madison Avenue, Suite 1800  
New York, New York  
(Address of principal executive offices)

86-2872887  
(I.R.S. Employer  
Identification No.)

10022  
(Zip Code)

Registrant's telephone number, including area code: (312) 625-9295

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 Exchange Act). YES  NO

As of June 30, 2025, 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 \$207,788,142, based on the closing sale price on the Nasdaq Global Market on that date of \$10.35 per share.

As of March 18, 2026, the registrant had 22,820,590 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 2026 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.

**CHICAGO ATLANTIC BDC, INC.  
FORM 10-K**

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*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.*

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:

- uncertainties related to the potential impact of tariff enactment and tax reductions, and the risk of recession or a shutdown of government services, which could impact our business prospects and the prospects of our portfolio companies;
- our future operating results and distribution projections;
- the ability of 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 previously announced acquisition from Chicago Atlantic Loan Portfolio, LLC of a portfolio of loans in exchange for newly issued shares of the Company’s common stock;

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 or regulated investment companies; 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 may file with the U.S. Securities and Exchange Commission in the future, 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.

## 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., 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 Jumpstart Our Business Startups Act of 2012 (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 (the “Sarbanes-Oxley Act”).

On February 8, 2022, we completed our initial public offering (“IPO”) and commenced operations.

On February 4, 2022, our common stock began trading on the Nasdaq Global Market (“NASDAQ”).

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 14 – 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, a new investment advisory agreement between the Company and the Adviser (the “Investment Advisory Agreement”), which was approved by the Company’s Board of Directors (the “Board”), upon the recommendation of its special committee, and the Company’s stockholders, took effect upon the closing of the Joint Venture. The 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 2, 2024, in connection with the Loan Portfolio Acquisition and the Joint Venture, the Company was renamed “Chicago Atlantic BDC, Inc.,” and its NASDAQ ticker symbol was changed to “LIEN,” and the Adviser was renamed “Chicago Atlantic BDC Advisers, LLC.”

##### 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.

## 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 \$732 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

## CHICAGO ATLANTIC BDC, INC.

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.

## CHICAGO ATLANTIC BDC, INC.

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 U.S. Securities and Exchange Commission (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, the Adviser manages our day-to-day operations, and provides investment advisory and management services to us.

As of December 31, 2025, Chicago Atlantic managed approximately \$2.3 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

## CHICAGO ATLANTIC BDC, INC.

private credit and equity with a focus 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.”

The 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 two 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. 2025 estimated U.S. state-legal cannabis retail sales reached \$35 billion, and are expected to reach approximately \$69 billion by 2031.<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 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 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.

## CHICAGO ATLANTIC BDC, INC.

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 2025, 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 ("CSA"), but progress was non-existent for most the year. That all changed in December of 2025, when president Donald Trump signed an executive order to direct the attorney general to expedite completion of reclassifying cannabis from Schedule I to Schedule III. This represents the most significant federal shift in cannabis policy since the War on Drugs began.

<sup>1</sup> Source: MJBiz Factbook 2025 Q1 Update.

We expect overall capital markets activity to pick up incrementally as the industry awaits rescheduling completion. Regardless of the above timing, 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 continued lack of competition and limited financing options for cannabis businesses 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, beginning in April 2024, we expanded our investment strategy to permit investments in companies outside of the cannabis and health and wellness sectors that otherwise meet the Company's investment criteria. 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 private credit capital raising trend where new capital is concentrated to a handful of the mega funds, continued in 2025. We believe 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. Private credit enters 2026 with momentum, but also with new complexities. The lower middle market remains a standout, offering premium yields and robust structural protections. Direct lending in this segment continues to benefit from less competition, tighter covenants, and the ability to negotiate bespoke terms. Sponsors and borrowers are increasingly turning to private credit for speed, certainty of execution, and tailored solutions – especially as public markets become more volatile and banks remain cautious on lending.

Our 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

## CHICAGO ATLANTIC BDC, INC.

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 appetites for smaller deals among banks and large funds.

### **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

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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:

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Deep Industry and Operating Expertise. 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.

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.

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### 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 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.

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### 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 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.

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### *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*

Our Adviser conducts an evaluation of the industry. If considered appropriate, industry experts will be consulted or retained. Our Adviser considers the following factors:

- 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

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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.

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### 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.

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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates – Investment Valuation."

### **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.

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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, a Partner of our Adviser, Scott Gordon, the Executive Chairman of our Board, our Co-Chief Investment Officer and a Partner of our Adviser, Umesh Mahajan, our Co-Chief Investment Officer and Secretary, and a Partner of our Adviser, John Mazarakis, a Partner of our Adviser, and Peter Sack, our Chief Executive Officer (“CEO”) and a Partner of our Adviser. 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 Chief Compliance Officer (“CCO”) and Chief Financial Officer (“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.”

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Below are the biographies for the Investment Committee members.

- *Andreas Bodmeier.* Dr. Bodmeier served as our CEO from October 2024 until March 2025. Dr. Bodmeier co-founded Chicago Atlantic Group, LP in April 2019 and served as Chicago Atlantic Real Estate Finance, Inc.'s President and Chief Investment Officer from its inception in 2021 through March 2026. 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 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 that 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. 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 was part of J.P. Morgan's investment banking team

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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 served as a member of our Board from October 2024 to June 2025. 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, 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.

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From time to time, the Adviser may pay amounts owed by us to third-party providers of goods or services, including the Board, and we will subsequently reimburse the Adviser for such amounts paid on our 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 original issue discount ("OID"), debt instruments with payment-in-kind ("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:

- 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

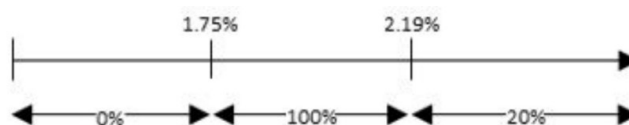
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20% on all of our Pre-Incentive Fee Net Investment Income when our Pre-Incentive Fee Net Investment Income exceeds 2.19% in any quarter;

- 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)

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<sup>(1)</sup> = 1.75%

Management fee<sup>(2)</sup> = 0.4375%

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

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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<sup>(1)</sup> = 1.75%

Management fee<sup>(2)</sup> = 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”)<sup>(3)</sup>

= 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<sup>(1)</sup> = 1.75%

Management fee<sup>(2)</sup> = 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”)<sup>(3)</sup>

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

Catch-up = 2.19% – 1.75%

= 0.44%

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$$\begin{aligned}\text{Incentive Fee on Income} &= (100\% \times 0.44\%) + (20\% \times (2.6125\% - 2.19\%)) \\ &= 0.44\% + (20\% \times 0.4225\%) \\ &= 0.44\% + 0.0845\% \\ &= 0.5245\%\end{aligned}$$

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

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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<sup>(1)</sup> — \$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)<sup>(2)</sup>

\* 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. The base management fee and any incentive fees compensate 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. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Expenses” for more information on our expenses.

*Duration and Termination*

The Investment Advisory Agreement, which took effect on October 1, 2024 upon the closing of the Joint Venture, was approved by our Board on January 16, 2024. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect if approved annually by the Board or by the affirmative vote of the holders

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of a majority of our outstanding voting securities, including, in either case, approval by a majority of our Independent Directors.

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 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 May 12, 2025, our Board, including a majority of the Independent Directors, re-approved the Investment Advisory Agreement at an in-person meeting. In its consideration of the approval of the Investment Advisory Agreement, our Board 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 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 did not assign relative weights to the above factors or the other factors considered by it. In addition, our Board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of our Board 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 agreed to cap the

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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.

The Expense Limitation Agreement expired in accordance with its terms on September 30, 2025 and was not renewed.

### *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 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.

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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 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 Independent Directors. On May 12, 2025, our Board, including a majority of the Independent Directors, 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, or by the Adviser.

In accordance with the Administration Agreement, and with the approval of the Board, the Company and the Adviser have entered into a services agreement with SS&C Technologies Inc. ("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 the 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, the Adviser and its affiliates have adopted an investment allocation policy that governs the allocation of investment opportunities among the investment funds and other accounts managed by the Adviser and its affiliates. 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 the Adviser and its affiliates, and co-investment is not possible, the Adviser and its affiliates will adhere to its investment allocation policy in order to determine to which account to allocate the opportunity.

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 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.

If the Company is unable to rely on the exemptive relief for a particular opportunity, such opportunity will be allocated in accordance with the investment allocation policy. Although the Adviser and its affiliates 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 the Adviser or its affiliates.

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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 the Adviser and its affiliates. 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 the Adviser and its affiliates. 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 the Adviser and its affiliates. The Adviser and its affiliates seek 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.

### Code of Ethics

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 ("MGCL").

### Dividend Reinvestment Plan

Prior to December 31, 2025, we operated an "opt out" Dividend Reinvestment Plan ("DRIP") for our stockholders. As a result, if we declared a dividend, then stockholders' cash distributions were automatically reinvested in additional shares of our common stock, unless they specifically chose to "opt out" of the DRIP so as to receive cash distributions. Stockholders who received distributions in the form of shares of our common stock generally were subject to the same U.S. federal income tax consequences as were stockholders who elected to receive their distributions in cash.

On November 26, 2025, in accordance with the terms of the DRIP and by unanimous written consent of our Board, the DRIP was terminated with an effective date of December 31, 2025. Following the termination of the DRIP, all cash dividends or distributions on our common stock with a record date for payment after December 31, 2025 will be paid in cash rather than in shares of our common stock.

### **Emerging Growth Company**

The Company is an emerging growth company as defined in 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. 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 Securities Exchange Act of 1934, as amended (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.

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### **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.

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- (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.”

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### Exclusion from Commodity Futures Trading Commission ("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 ourselves 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 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, 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 [investors.chicagoatlanticbdc.com](http://investors.chicagoatlanticbdc.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.

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### 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.

#### **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 CEO and CFO are required to certify the accuracy of the financial statements contained in our periodic reports;

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- 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 discussion is a general summary of certain U.S. federal income tax considerations applicable to us and to an investment in shares of our common stock. This summary does not purport to be a complete description of the income tax considerations applicable to us or to investors in such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares, persons who hold our shares as part of a “straddle,” “hedge” or “conversion” transaction, certain former citizens and long-term residents of the United States, regulated investment companies, real estate investment trusts, personal holding companies, persons required to accelerate the recognition of gross income as a result of such income being recognized on an applicable financial statement, and persons who acquire an interest in the Company in connection with the performance of services. Such persons should consult with their own tax advisers as to the U.S. federal income tax consequences of an investment in our common stock, which may differ substantially from those described herein.

This summary assumes that investors hold shares of our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, U.S. Department of Treasury regulations, (“Treasury Regulations”), and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and do not intend to seek any ruling from the Internal Revenue Service, or the “IRS”, regarding any offer and sale of our securities under this prospectus. Prospective investors should be aware that, although we intend to adopt positions we believe are in accord with current interpretations of the U.S. federal income tax laws, the IRS may not agree with the tax positions taken by us and that, if challenged by the IRS, our tax positions might not be sustained by the courts. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets. Tax counsel has not rendered any legal opinion regarding any tax consequences relating to us or our stockholders. Stockholders are urged to consult their own tax advisors to determine the U.S. federal, state, local and foreign tax consequences to them of investing in our shares.

For purposes of our discussion, a “U.S. stockholder” means a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

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- a trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a domestic trust for U.S. federal income tax purposes.

For purposes of our discussion, a “Non-U.S. stockholder” means a beneficial owner of shares of our common stock that is neither a U.S. stockholder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner or member of the partnership will generally depend upon the status of the partner and the activities of the partnership. Each partner in a partnership that is considering acquiring shares of our common stock should consult his, her or its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and non-U.S. tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

### Taxation in Connection with Holding Securities other than our Common Stock

We intend to describe in any prospectus supplement related to the offering of preferred stock, subscription rights, debt securities, or warrants to purchase our common stock, preferred stock or debt securities, the U.S. federal income tax considerations applicable to such securities as will be sold by us pursuant to that prospectus supplement, including the taxation of any debt securities that will be sold at an original issue discount, and the tax treatment of sales, exchanges or retirements of our debt securities.

### Election to be Taxed as a RIC

We have elected and intend to qualify annually to be treated as a RIC under Subchapter M of the Code. However, no assurance can be given that we will be able to maintain our RIC tax treatment. As a RIC, we generally will not be subject to U.S. federal income tax on any net ordinary income or capital gain net income that we timely distribute to our stockholders as dividends. To maintain our tax status as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to maintain our tax treatment as a RIC, we generally must distribute to our stockholders, for each taxable year, at least 90% of our “investment company taxable income,” which is generally our net ordinary income plus the excess, if any, of realized net short-term capital gain over realized net long-term capital loss, or the “Annual Distribution Requirement”. 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 and pay a nondeductible 4% U.S. federal excise tax on such income. In such case, we must distribute any such carryover taxable income through a distribution declared prior to filing the final tax return for the year in which we generated such taxable income. Even if we maintain our status as a RIC, we generally will be subject to U.S. federal income tax imposed at corporate rates on our undistributed taxable income and could be subject to U.S. federal excise, state, local and foreign taxes.

### Taxation as a RIC

Provided that we maintain our status as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (which is defined as net long-term capital gain in excess of net short-term capital loss) that we timely distribute (or are deemed to distribute) to stockholders as dividends. We will be subject to U.S. federal income tax imposed at corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a nondeductible 4% U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our investment company taxable income for each

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calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any net ordinary income and net capital gains that we recognized in preceding years, but were not distributed during such years, and on which we paid no U.S. federal income tax.

In order to maintain our status as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a BDC or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or foreign currencies, other income derived with respect to our business of investing in such stock, securities or foreign currencies and net income derived from an interest in a “qualified publicly traded partnership” (as defined in Subchapter M of the Code), or the “90% Income Test”;
- satisfy the Annual Distribution Requirement; and
- diversify our holdings so that at the end of each quarter of the taxable year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a “qualified publicly traded partnership”); and
  - no more than 25% of the value of our assets is invested in (i) the securities, other than U.S. government securities or securities of other RICs, of one issuer (ii) the securities, other than securities of other RICs, of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) the securities of one or more “qualified publicly traded partnerships,” or the Diversification Tests.

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a “qualified publicly traded partnership”), we generally must include our allocable share of the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than, a “qualified publicly traded partnership”) will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a “qualified publicly traded partnership”) in which we are a partner for purposes of the Diversification Tests.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt instruments that are treated under applicable tax rules as having OID or debt instruments with PIK interest, we must include in income each year a portion of the OID that accrues over the life of the instrument and PIK interest, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid as non-cash compensation. We anticipate that a portion of our income may constitute OID or other income required to be included in taxable income prior to our receipt of cash.

Because any OID or other amounts accrued will be included in our investment company taxable income for the year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement. We may have to sell 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

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opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to U.S. federal income tax.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Investments by us in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty may be 35% or more. The United States has entered into tax treaties with many foreign countries that may entitle us to a reduced rate of tax or exemption from tax on this related income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of our assets to be invested within various countries is not now known. Therefore, our yield on any such securities may be reduced by such non-U.S. taxes. Stockholders will generally not be entitled to claim a credit or deduction with respect to non-U.S. taxes paid by us because we do not expect to satisfy the requirements necessary to pass through to our stockholders their share of the foreign taxes paid by us.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy the Annual Distribution Requirement and the 4% U.S. federal excise tax. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met. If we are prohibited from making distributions, we may fail to qualify for tax treatment as a RIC and become subject to U.S. federal income tax. Moreover, our ability to dispose of assets to satisfy the Annual Distribution Requirement and to reduce our U.S. federal income and excise tax liabilities may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid U.S. federal income tax imposed at corporate rates or the 4% U.S. federal excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

A RIC is limited in its ability to deduct expenses in excess of its “investment company taxable income.” If our expenses in a given year exceed investment company taxable income, we would experience a net operating loss for that year. As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our investment company taxable income in other taxable years. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC’s investment company taxable income, but U.S. federal income tax law generally permits a RIC to carry forward its capital losses. Due to these limits on the deductibility of expenses, over the course of one or more taxable years we may have, for U.S. federal income tax purposes, aggregate taxable income that we are required to distribute and that is taxable to our shareholders, even if such income is greater than the aggregate net income we actually earned during those years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, a shareholder may receive a larger capital gain distribution than we would have received in the absence of such transactions.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities in order to mitigate the effect of these provisions.

A “publicly offered regulated investment company” is a RIC whose shares are either (i) continuously offered pursuant to a public offering within the meaning of Section 4 of the Securities Act, (ii) regularly traded on an established securities market or (iii) held by at least 500 persons at all times during the taxable year. If we qualify as a publicly offered regulated investment company, we may make distributions that are payable in cash or shares of our stock at the election of each stockholder. In accordance with Treasury regulations and published guidance issued by the IRS,

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a publicly offered RIC may treat distributions of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his, her, or its entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash to be distributed to all stockholders must be at least 20% of the aggregate distribution. If too many stockholders elect to receive cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). If we decide to make any distributions that are payable in part in shares of our stock, U.S. stockholders receiving such distributions will be required to include the full amount of the distribution (whether received in cash, shares of our stock, or a combination thereof) 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 our current and accumulated earnings and profits. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives 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 may be required to withhold U.S. federal tax with respect to such distributions, including in respect of all or a portion of such distributions that are 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 such distributions, it may put downward pressure on the trading price of shares of our stock.

### Failure To Obtain RIC Tax Treatment

If we were unable to maintain our tax treatment as a RIC, and certain cure provisions are not applicable, we would be subject to U.S. federal income tax on all of our taxable income (including our net capital gains) imposed at corporate rates. We would not be able to deduct distributions to stockholders, nor would distributions be compulsory. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain holding period and other limitations under Subchapter M of the Code, corporate distributees would be eligible for the dividends-received deduction; non-corporate stockholders would generally be able to treat such dividends as “qualified dividend income,” which is subject to reduced rates of U.S. federal income tax. To the extent the amount of a distribution exceeded our current and accumulated earnings and profits, such excess would be treated as a return of capital to the extent of the stockholder’s adjusted tax basis, and to the extent the amount of a distribution exceeded both our current and accumulated earnings and profits and the stockholder’s adjusted tax basis, any excess would be treated as a capital gain.

In order to requalify as a RIC, in addition to the other requirements discussed above, we would be required to satisfy the RIC qualification requirements for that year and distribute all of our previously undistributed earnings attributable to the period we failed to qualify as a RIC by the end of the first year that we intend to requalify as a RIC. If we fail to qualify as a RIC for two or more taxable years, to qualify as a RIC in a subsequent year we may be subject to U.S. federal income tax imposed at corporate rates on any net built-in gains with respect to certain of our assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next five years.

### Taxation of U.S. Stockholders

Whether an investment in shares of our common stock is appropriate for a U.S. stockholder will depend upon that person’s particular circumstances. An investment in shares of our common stock by a U.S. stockholder may have adverse tax consequences. The following summary generally describes certain U.S. federal income tax consequences of an investment in shares of our common stock by taxable U.S. stockholders. Prospective investors should consult their own tax advisors before making an investment in our common stock.

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gain. Distributions of our “investment company taxable income” (which is, generally, our ordinary income excluding net capital gain) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to noncorporate U.S. stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions generally will be eligible for taxation at rates applicable to “qualifying dividends” (at a maximum tax rate of 20%) provided that we properly report such distribution as “qualified

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dividend income” in a written statement furnished to our stockholders and certain holding period and other requirements are satisfied. In this regard, it is not anticipated that a significant portion of distributions paid by us will be attributable to qualifying dividends; therefore, our distributions generally will not qualify for the preferential rates applicable to qualified dividend income. Distributions of our net capital gain (which is generally our net long-term capital gain in excess of net short-term capital loss) properly designated by us as “capital gain dividends” will be taxable to a U.S. stockholder as long-term capital gain (at a maximum rate of 20% in the case of individuals, trusts or estates), regardless of the U.S. stockholder’s holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. stockholder’s adjusted tax basis in such stockholder’s common stock and, after the adjusted basis is reduced to zero, will constitute capital gain to such U.S. stockholder. In order to satisfy the Annual Distribution Requirement we intend to distribute any long-term capital gain at least annually; however, we may in the future decide to retain some or all of our long-term capital gain, but designate the retained amount as a “deemed distribution.” In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its proportionate share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder’s adjusted tax basis for his, her or its common stock. Since we expect to pay tax on any retained capital gain at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on net capital gain, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder’s other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder’s liability for U.S. federal income tax. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a “deemed distribution.”

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in any such month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution, and the investor will be subject to tax on the distribution even though it represents a return of his, her or its investment.

A U.S. stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference between such stockholder’s adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other substantially identical shares are purchased (whether through reinvestment of distributions or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed. The ability to otherwise deduct capital loss may be subject to other limitations under the Code.

In general, noncorporate U.S. stockholders, including individuals, trusts and estates, are subject to U.S. federal income tax (at a maximum rate of 20%) on their net capital gain, or the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including a long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals.

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Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 21% rate also applied to ordinary income. Noncorporate stockholders with net capital loss for a year (which we define as capital loss in excess of capital gain) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital loss of a noncorporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital loss for a year, but may carry forward such losses for five years.

Certain U.S. stockholders who are individuals, estates or trusts generally will be subject to a 3.8% surtax on their “net investment income,” which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of shares, of our common stock.

If we are not a publicly offered RIC for any period, a noncorporate stockholder’s pro rata portion of our affected expenses, including our management fees, will be treated as an additional distribution to the stockholder, and these fees and expenses will be treated as miscellaneous itemized deductions of such U.S. stockholder. Miscellaneous itemized deductions generally are not deductible by a U.S. stockholder that is an individual, trust or estate.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a written statement detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder’s taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal income tax status of each year’s distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the current 20% maximum rate). Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder’s particular situation.

We may be required to withhold U.S. federal income tax, or backup withholding, from all taxable distributions to any noncorporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual’s taxpayer identification number is generally his or her social security number. Backup withholding tax is not an additional tax, and any amount withheld may be refunded or credited against the U.S. stockholder’s U.S. federal income tax liability, provided that proper information is timely provided to the IRS.

Under applicable Treasury Regulations, if a stockholder recognizes a loss with respect to shares of our stock of \$2 million or more for an individual, S corporation, trust, or a partnership with at least one noncorporate partner or \$10 million or more for a stockholder that is either a corporation or a partnership with only corporate partners in any single taxable year (or a greater loss over a combination of years), the stockholder must comply with the appropriate disclosure requirements. Direct stockholders of portfolio securities in many cases are excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer’s treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. Stockholders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

### Taxation of Non-U.S. Stockholders

Whether an investment in the shares is appropriate for a Non-U.S. stockholder will depend upon that person’s particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in our common stock.

Subject to the discussions below concerning backup withholding and FATCA (defined below), distributions of our “investment company taxable income” to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses) will be subject to U.S. withholding tax imposed at a rate of 30% (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless an applicable exception applies. However, no withholding is required with respect to certain distributions if (i) the distributions are properly reported as “interest-related dividends” or “short-term capital gain dividends,” (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain

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other requirements are satisfied. No assurance can be provided as to whether any of our distributions will be reported as eligible for this exemption. If the distributions are effectively connected with the conduct of a trade or business in the United States (a “U.S. trade or business”) by the Non-U.S. stockholder (and if an income tax treaty applies, such distributions are attributable to a permanent establishment maintained by the Non-U.S. stockholder within the United States), we will not be required to withhold U.S. federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

Actual or deemed distributions of our net capital gain to a Non-U.S. stockholder, and gain realized by a Non-U.S. stockholder upon the sale or other disposition of our common stock, that are not effectively connected with a U.S. trade or business carried on by the Non-U.S. stockholder (and if an income tax treaty applies, such distributions or gains are attributable to a permanent establishment maintained by the Non-U.S. stockholder within the United States), will generally not be subject to U.S. federal income tax.

The tax consequences to Non-U.S. stockholders that are individuals that are present in the U.S. for 183 days or more during a taxable year may be different from those described herein. Non-U.S. stockholders are urged to consult their tax advisers with respect to the procedure for claiming the benefit of a lower treaty rate and the applicability of foreign taxes.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder’s allocable share of the tax we pay on the capital gain deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

Distributions of our “investment company taxable income” and net capital gain (including deemed distributions) to Non-U.S. stockholders, and gain realized by Non-U.S. stockholders upon the sale of our common stock that is “effectively connected” with a U.S. trade or business carried on by the Non-U.S. stockholder (or if an income tax treaty applies, attributable to a “permanent establishment” in the United States), will be subject to U.S. federal income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. Corporate Non-U.S. stockholders may also be subject to an additional branch profits tax at a rate of 30% imposed by the Code (or lower rate provided by an applicable treaty). Accordingly, investment in the shares may not be appropriate for certain Non-U.S. stockholders.

The tax consequences to a Non-U.S. stockholder entitled to claim the benefits of an applicable tax treaty may differ from those described herein. Non-U.S. stockholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in our shares.

We must generally report to our documented Non-U.S. stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Information reporting requirements may apply even if no withholding was required because the distributions were effectively connected with the Non-U.S. stockholder’s conduct of a U.S. trade or business or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. stockholder resides or is established. Under U.S. federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to “backup withholding” at the then applicable rate (currently 24%). Backup withholding, however, generally will not apply to distributions to a Non-U.S. stockholder, provided the Non-U.S. stockholder furnishes to us the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or IRS Form W-8BEN-E, or certain other requirements are met. Backup withholding is not an additional tax but can be credited against a Non-U.S. stockholder’s U.S. federal income tax, and may be refunded to the extent it results in an overpayment of tax and the appropriate information is timely supplied to the IRS.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

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*Foreign Account Tax Compliance Act*

Legislation commonly referred to as the “Foreign Account Tax Compliance Act,” or “FATCA,” generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions (“FFIs”) unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by certain specified U.S. persons (or held by foreign entities that have certain specified U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement (“IGA”) with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest and dividends. While the Code would also require withholding on payments of the gross proceeds from the sale of any property that could produce U.S. source interest or dividends, the U.S. Treasury Department has indicated its intent to eliminate this requirement in subsequent proposed regulations, which state that taxpayers may rely on the proposed regulations until final regulations are issued. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a specified U.S. person and certain financial information associated with the holder’s account. In addition, subject to certain exceptions, FATCA also imposes a 30% withholding on certain payments to certain foreign entities that are not FFIs unless the foreign entity certifies that it does not have a greater than 10% U.S. owner that is a specified U.S. person or provides the withholding agent with identifying information on each greater than 10% U.S. owner that is a specified U.S. person. Depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which they hold their shares, Non-U.S. stockholder could be subject to this 30% withholding tax with respect to distributions on their common stock. Under certain circumstances, a non-U.S. stockholder might be eligible for refunds or credits of such taxes.

*Possible Legislative or Other Actions Affecting Tax Considerations*

Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in our stock may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process any by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in our stock. See Risk Related to Our Business and Structure – Recent tax legislation could have a negative effect on the Company.

The discussion set forth herein does not constitute tax advice, and potential investors should consult their own tax advisors concerning the tax considerations relevant to their particular situation.

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**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 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 MGCL and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

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- 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.
- 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.
- 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 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.

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- 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

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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 countries that are part of the North Atlantic Treaty Organization (NATO) 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.

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***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 NAV 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 repricing 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.

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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.

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***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 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. 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. 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 and a member of the Adviser's Investment Committee, John Mazarakis, 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

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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 collateralized loan obligations) 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

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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.

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

Our Board 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.

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***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 Wall Street Reform and Consumer Protection 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 MGCL and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.***

The 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 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, including approval by our Independent Directors. If the resolution exempting business combinations is repealed or our Board 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 in three classes serving staggered three-year terms; majority voting for directors in contested elections; and provisions of our charter authorizing our Board 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.

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***Our Board 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 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 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 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 NAV 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.***

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;

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- 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 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 experience fluctuations in our quarterly results.*

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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 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. 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 IPO, (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 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.

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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 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.

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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.

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 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 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 MGCL.

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.

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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 may 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.

The following table illustrates the effect of leverage on returns from an investment in our shares assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical, and actual returns may be higher or lower than those appearing in the table below:

	Assumed Return on Portfolio (Net of Expenses)				
	(10%)	(5%)	0.00%	5.00%	10.00%
Corresponding Return to Common Shareholders <sup>(1)</sup>	(11.85%)	(6.21%)	(0.58%)	5.06%	10.69%

<sup>(1)</sup> Based on (i) \$341,996,454 in total assets as of December 31, 2025, (ii) 25,000,000 in outstanding indebtedness at par, as of December 31, 2025, (iii) \$303,408,074 in net assets as of December 31, 2025 and (iv) an average interest rate, including fees (such as fees on undrawn amounts and amortization of financing costs), on our indebtedness, as of December 31, 2025, of 7.02%.

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***Our existing credit facility and 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.***

In February 2025, we entered into a senior secured revolving credit agreement, under which, 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 facility 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 will terminate on February 11, 2027, and the credit agreement has a scheduled maturity date of March 31, 2028.

Pursuant to the credit facility, all or significant amounts of our assets are pledged as collateral to secure borrowings thereunder. If we default on our obligations under the 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 the 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.

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*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.*

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 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 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.

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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.

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.

### 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

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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

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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

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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

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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

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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.

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***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.

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***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.***

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.

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***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 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.***

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.

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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.

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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. CSA 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;
- FDA 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;

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- 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 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.

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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 Jefferson Sessions rescinded the U.S. Department of Justice'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.

Both President Biden and President Trump have taken steps to reschedule cannabis to Schedule III, but the process has yet to be completed. While 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 Secure and Fair Enforcement Regulation Banking Act ("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 or a similar bill would most likely, 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 or a similar bill became law, or cannabis became legal under federal law, there could be increased competition for lending to state-licensed cannabis companies, and such companies could 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 U.S. Department of Justice 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 U.S. Department of Justice 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 tetrahydrocannabinol ("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

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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.

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 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

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Administration, and was 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.

In November 2025, Congress amended the definition of *hemp* under Title 7, Section 1639o, of the *U.S. Code*, changing the limit to a *total THC concentration* of less than 0.3% on a dry weight basis rather than only delta-9 THC. They did this, in part, to close the “hemp loophole” which allowed companies to sell intoxicating hemp products outside of state legal cannabis regulatory frameworks.<sup>1</sup>

1. Source: <https://www.congress.gov/crs-product/IN12620>

### ***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:

- 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

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operate, in violation of U.S. federal laws, including the CSA. 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 CSA, the U.S. Money Laundering Control Act, or the Drug Paraphernalia law contained in the CSA, 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.***

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.

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***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.

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***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.

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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

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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

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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,

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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

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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

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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.***

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

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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.

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***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.

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***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.

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### ***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

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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.

***Certain provisions of our charter and bylaws and actions of our Board 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 is divided into three classes of directors serving staggered three-year terms. Our Board may, without stockholder action, authorize the issuance of shares in one or more classes or series, including shares of preferred stock; and our Board 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 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 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 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 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.

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### **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, which it subsequently distributed to its members and no longer holds. As a result, a significant number of shares of our common stock are held by such members, who may sell our common stock, from time to time, subject to applicable securities law requirements.

Sales of substantial amounts of our common stock, including by CALP 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.

## CHICAGO ATLANTIC BDC, INC.

### **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 CCO 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 CCO 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

CHICAGO ATLANTIC BDC, INC.

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 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 under the symbol “LIEN.”

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

On March 18, 2026, the last reported closing sales price of our common stock on the NASDAQ was \$9.90 per share, which represented a discount of approximately 25.6% to our NAV per share of \$13.30 as of December 31, 2025.

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, 2026</b>						
First Quarter (Through March 18, 2026)	*	\$ 10.91	\$ 9.81	*	*	\$ 0.34 <sup>(6)</sup>
<b>Year Ended December 31, 2025</b>						
Fourth Quarter	\$ 13.30	\$ 11.22	\$ 10.03	-15.6%	-24.6%	\$ 0.34
Third Quarter	\$ 13.27	\$ 11.12	\$ 10.12	-16.2%	-23.7%	\$ 0.34
Second Quarter	\$ 13.23	\$ 11.11	\$ 9.71	-16.0%	-26.6%	\$ 0.34
First Quarter	\$ 13.19	\$ 12.56	\$ 10.92	-4.8%	-17.2%	\$ 0.34
<b>Year Ended December 31, 2024</b>						
Fourth Quarter	\$ 13.20	\$ 13.24	\$ 10.74	0.3%	-18.7%	\$ 0.34
Third Quarter	\$ 13.28	\$ 12.00	\$ 10.64	-9.6%	-19.9%	\$ 0.25
Second Quarter	\$ 13.56	\$ 12.38	\$ 9.61	-8.7%	-29.1%	\$ 0.25
First Quarter	\$ 13.60	\$ 10.28	\$ 7.65	-24.4%	-43.8%	\$ 0.25
<b>Year Ended December 31, 2023</b>						
Fourth Quarter	\$ 13.77	\$ 9.81	\$ 8.32	-28.8%	-39.6%	\$ 0.70 <sup>(7)</sup>
Third Quarter	\$ 14.06	\$ 10.37	\$ 7.65	-26.3%	-45.6%	\$ 0.63 <sup>(7)</sup>
Second Quarter	\$ 14.49	\$ 9.19	\$ 7.82	-36.3%	-45.8%	
First Quarter	\$ 14.29	\$ 9.98	\$ 8.25	-30.2%	-42.3%	
<b>Year Ended December 31, 2022<sup>(4)</sup></b>						
Fourth Quarter	\$ 13.91	\$ 10.55	\$ 9.57	-24.2%	-31.2%	-
Third Quarter	\$ 13.73	\$ 10.74	\$ 9.00	-21.8%	-34.5%	-
Second Quarter	\$ 13.64	\$ 13.50	\$ 7.80	-1.0%	-42.8%	-
First Quarter <sup>(5)</sup>	\$ 13.61	\$ 14.41	\$ 12.57	5.9%	-7.6%	-

- (1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices. The NAVs 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 NAV, divided by NAV (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 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 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 14, 2026 to stockholders of record on March 30, 2026.
  - (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 NAV per share. The possibility

## CHICAGO ATLANTIC BDC, INC.

that our shares of common stock will trade at a discount from NAV per share or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below NAV per share.

### Holders

As of March 18, 2026, there were approximately 129 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. The amount of our distributions, if any, will be determined by our Board.

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.

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 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 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

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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, 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.

The following table summarizes distributions declared and/or paid by the Company from inception through December 31, 2025:

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share Amount</b>	<b>Dividends Declared</b>
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
March 14, 2025	Quarterly	March 28, 2025	April 11, 2025	\$ 0.34	\$ 7,758,931
May 12, 2025	Quarterly	June 27, 2025	July 11, 2025	\$ 0.34	\$ 7,758,939
August 14, 2025	Quarterly	September 29, 2025	October 10, 2025	\$ 0.34	\$ 7,759,001
November 11, 2025	Quarterly	December 31, 2025	January 15, 2026	\$ 0.34	\$ 7,759,001

**Dividend Reinvestment Plan**

Prior to December 31, 2025, we operated an “opt out” DRIP for our stockholders. As a result, if we declared a dividend, then stockholders’ cash distributions were automatically reinvested in additional shares of our common stock, unless they specifically chose to “opt out” of the DRIP so as to receive cash distributions. Stockholders who received distributions in the form of shares of our common stock generally were subject to the same U.S. federal income tax consequences as were stockholders who elected to receive their distributions in cash.

On November 26, 2025, in accordance with the terms of the DRIP and by unanimous written consent of our Board, the DRIP was terminated with an effective date of December 31, 2025. Following the termination of the DRIP, all cash dividends or distributions on our common stock with a record date for payment after December 31, 2025 will be paid in cash rather than in shares of our common stock.

During the year ended December 31, 2025, the Company issued the following shares of common stock under the DRIP:

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Shares</b>
March 14, 2025	Quarterly	March 28, 2025	April 11, 2025	22
May 12, 2025	Quarterly	June 27, 2025	July 11, 2025	182

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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

**Issuer Purchases of Equity Securities**

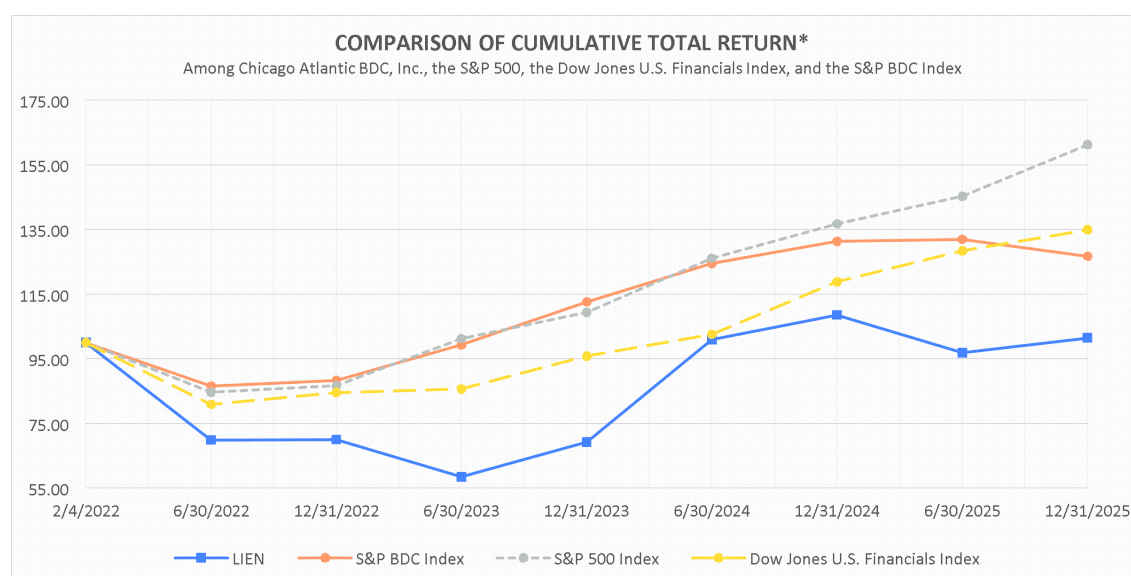
We did not repurchase any of our equity securities during the fiscal years ended December 31, 2025 or December 31, 2024.

**Unregistered Sales of Equity Securities**

During the year ended December 31, 2025, we issued 204 shares of common stock for a total of approximately \$2,189 under the DRIP. During the year ended December 31, 2024, we issued 73 shares of common stock for a total of approximately \$812 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, the S&P BDC Index, S&P 500 Index and Dow Jones U.S. Financials 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 NASDAQ) through December 31, 2025, in each of our common stock and the S&P BDC Index, S&P 500 Index and Dow Jones U.S. Financials Index, including reinvestment of dividends.

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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]**

## CHICAGO ATLANTIC BDC, INC.

### 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 1A. 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 regulated as a business development company ("BDC") under the Investment Company Act of 1940 (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 regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code (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.

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. 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

## CHICAGO ATLANTIC BDC, INC.

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 \$732 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 Chicago Atlantic BDC Advisers, LLC (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.

## CHICAGO ATLANTIC BDC, INC.

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

## CHICAGO ATLANTIC BDC, INC.

- 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 revolving credit facility also bears interest at a floating rate, when drawn. 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 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 between the Company and the Adviser (the "Investment Advisory Agreement"). Our base management fee and any incentive fees compensate our Adviser for its work in identifying, evaluating, negotiating, executing, monitoring, servicing and realizing our investments. See "Item 1. Business—Investment Advisory Agreement."

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 Chief Financial Officer ("CFO") and Chief Compliance Officer ("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 net asset value ("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;

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- 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

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- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

We expect, but cannot ensure, 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.

**Portfolio Composition and Investment Activity***Portfolio Composition*

As of December 31, 2025, our investment portfolio had an aggregate fair value of approximately \$333.3 million and was comprised of approximately \$292.7 million in first lien, senior secured loans, approximately \$37.5 million in senior secured notes, approximately \$1.4 million in second lien, senior secured loans, and approximately \$1.7 million in equity securities across thirty-nine portfolio companies. 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.

A summary of the composition of our investment portfolio at amortized cost and fair value as a percentage of total investments as of December 31, 2025 and December 31, 2024 are shown in the following tables.

Investment Type	As of December 31, 2025	
	Amortized Cost	Fair Value
First Lien Senior Secured Loans	87.9%	87.8%
Senior Secured Notes	11.1%	11.2%
Second Lien Senior Secured Loans	0.4%	0.4%
Warrants	0.4%	0.4%
Preferred Stock	0.2%	0.2%
Total	100.0%	100.0%

Investment 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%
Total	100.0%	100.0%

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, 2025 and December 31, 2024. The geographic composition is determined by the location of the headquarters of the portfolio company.

**CHICAGO ATLANTIC BDC, INC.**

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 of ND, SD, NE, KS, MO, IA, MN, WI, MI, IL, IN and OH; Northeast, for the states of 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.

Geographic Region	As of December 31, 2025	
	Amortized Cost	Fair Value
<b>United States:</b>		
Midwest	41.6%	41.7%
Northeast	20.1%	20.2%
West	19.7%	19.6%
Southeast	8.7%	8.6%
Southwest	8.1%	8.1%
<b>International:</b>		
Canada	1.8%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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>

The tables below present the industry composition of our investment portfolio at amortized cost and fair value as a percentage of total investments as of December 31, 2025 and December 31, 2024.

Industry <sup>(1)</sup>	As of December 31, 2025	
	Amortized Cost	Fair Value
Cannabis	74.8%	74.7%
Finance and Insurance	7.7%	7.7%
Information	5.9%	6.0%
Public Administration	3.4%	3.5%
Retail Trade	2.7%	2.7%
Manufacturing	2.2%	2.2%
Educational Services	1.5%	1.5%
Administrative and Support and Waste Management and Remediation Services	0.9%	0.9%
Real Estate and Rental and Leasing	0.9%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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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%
Total	100.0%	100.0%

(1) 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, 2025 and December 31, 2024, we had three portfolio companies that represented 31.8% and 45.1%, respectively, of our investments, at fair value. As of December 31, 2025 and December 31, 2024, our largest portfolio company represented 15.7% and 18.9%, respectively, of our investments, at fair value.

Investment Activity

The following table provides a summary of the changes in the investment portfolio for the year ended December 31, 2025 and 2024:

	For the Years Ended December 31,	
	2025	2024
<b>Beginning Portfolio, at fair value</b>	\$ 275,241,398	\$ 54,120,000
Purchases	156,219,502	240,515,638
Accretion of discounts and fees (amortization of premiums), net	2,700,864	1,101,295
PIK interest	2,558,891	743,775
Proceeds from sales of investments and principal repayments	(103,616,798)	(21,410,831)
Net realized gain (loss) on investments	-	(74,483)
Net change in unrealized appreciation (depreciation) on investments	207,930	246,004
<b>Ending Portfolio, at fair value</b>	\$ 333,311,787	\$ 275,241,398

**CHICAGO ATLANTIC BDC, INC.**

*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 and the Audit Committee.

<b>Investment Performance Risk Rating</b>	<b>Summary Description</b>
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, 2025 and December 31, 2024:

<b>Investment Performance Risk Rating</b>	<b>As of December 31, 2025</b>	
	<b>Investments at Fair Value</b>	<b>Percentage of Total Investments</b>
1	\$ -	0.0%
2	327,611,910	98.3%
3	5,699,877	1.7%
4	-	0.0%
5	-	0.0%
Total	<u>\$ 333,311,787</u>	<u>100.0%</u>

<b>Investment Performance Risk Rating</b>	<b>As of December 31, 2024</b>	
	<b>Investments at Fair Value</b>	<b>Percentage of Total Investments</b>
1	\$ -	0.0%
2	275,241,398	100.0%
3	-	0.0%
4	-	0.0%
5	-	0.0%
Total	<u>\$ 275,241,398</u>	<u>100.0%</u>

**CHICAGO ATLANTIC BDC, INC.***Debt Investments on Non-Accrual Status*

As of December 31, 2025 and December 31, 2024, there were no loans in our portfolio placed on non-accrual status.

**Debt***Revolving Line of Credit*

On February 11, 2025, the Company entered into a senior secured revolving credit agreement (the "Credit Agreement", the "Revolving Line of Credit") by and 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. 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.

As of December 31, 2025, the Company had \$25,000,000 in outstanding borrowings and \$75,000,000 available under the Revolving Line of Credit. The Revolving Line of Credit is secured by all of the Company's assets pledged as collateral.

**Results of Operations**

The following discussion and analysis of our results of operations encompasses our results for the years ended December 31, 2025 and 2024.

On October 1, 2024, the Company completed the Loan Portfolio Acquisition and acquired a portfolio of loans with a fair value of \$219.6 million. Following the Loan Portfolio Acquisition and subsequent originations, the average fair value of the Company's investment portfolio grew from approximately \$109.8 million for the year ended December 31, 2024, to approximately \$310.4 million for the year ended December 31, 2025. The 183% growth in the average fair value of the investment portfolio resulting from the Loan Portfolio Acquisition and subsequent originations is the main driver for the changes in investment income, operating expenses, net investment income and change in unrealized appreciation (depreciation) for the year ended December 31, 2025, compared to the year ended December 31, 2024. See "Item 1. Business – Organization."

*Investment Income*

The following table sets forth the components of investment income for the years ended December 31, 2025 and 2024:

	<b>For the Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Stated interest income	\$ 43,544,535	\$ 18,060,773
Accretion of discount and fees (amortization of premium), net	2,700,864	1,101,295
PIK	3,022,776	743,775
Total interest income	49,268,175	19,905,843
Fee income	5,033,987	1,759,910
Total investment income	<u>\$ 54,302,162</u>	<u>\$ 21,665,753</u>

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

**CHICAGO ATLANTIC BDC, INC.**

we hold, generally in the form of interest income from our cash deposits held by our custodian or 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.

Approximately \$2.1 million of repayment premiums were included in interest income for the year ended December 31, 2025. Approximately \$0.1 million of prepayment premiums were included in interest income for the year ended December 31, 2024.

Operating Expenses

Our operating expenses for the years ended December 31, 2025 and 2024 are presented below:

	For the Years Ended December 31,		\$ Change	% Change
	2025	2024		
Income-based incentive fees	\$ 8,305,705	\$ 2,327,448	\$ 5,978,257	256.9%
Management fee	5,452,521	1,504,239	3,948,282	262.5%
General and administrative expenses	4,634,672	700,000	3,934,672	562.1%
Interest expense	1,249,657	-	1,249,657	100.0%
Professional fees	886,505	527,358	359,147	68.1%
Legal expenses	719,097	282,156	436,941	154.9%
Audit expense	651,252	497,200	154,052	31.0%
Other expenses	626,891	430,254	196,637	45.7%
Sub-administrator fees	587,300	449,974	137,326	30.5%
Excise tax expense	72,406	120,024	(47,618)	-39.7%
Capital gains incentive fees	41,586	34,304	7,282	21.2%
Transaction expenses related to the Loan Portfolio Acquisition	-	5,341,779	(5,341,779)	-100.0%
Total operating expenses	23,227,592	12,214,736	11,012,856	90.2%
Waiver of General and administrative expenses (Note 6)	(658,477)	-	(658,477)	-100.0%
Expense limitation agreement (Note 6)	(1,338,202)	-	(1,338,202)	-100.0%
Net operating expenses	\$ 21,230,913	\$ 12,214,736	\$ 9,016,177	73.8%

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. Net realized gains or losses from investments was approximately \$0 and \$(74) thousand for the years ended December 31, 2025 and 2024, respectively.

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, 2025 and 2024, is comprised of the following:

	<u>For the Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Gross unrealized appreciation	\$ 1,714,769	\$ 956,472
Gross unrealized depreciation	(1,506,839)	(710,468)
Total net change in unrealized appreciation (depreciation) from investments	<u>\$ 207,930</u>	<u>\$ 246,004</u>

**CHICAGO ATLANTIC BDC, INC.**

The following table details net change in unrealized appreciation (depreciation) for our portfolio for the years ended December 31, 2025, and 2024:

	For the Years Ended December 31,	
	2025	2024
Aeriz Holdings Corp	\$ 53,418	\$ (53,418)
AI Software, LLC (d/b/a Capacity)	425,453	-
AI Software, LLC (d/b/a Capacity) - Warrants	107,649	-
Archos Capital Group, LLC	1	-
Ascend Wellness	135,909	(23,395)
Aura Home, Inc	(6,359)	(10,265)
Aura Home, Inc - Term D	(2,595)	-
BeLeaf Medical, LLC	70,022	-
Cresco Labs, LLC	(60,665)	-
Curaleaf Holdings, Inc.	167,675	(40,141)
Deep Roots Harvest, Inc.	25,000	(25,000)
Dreamfields Brands, Inc. (d/b/a Jeeter)	(54,547)	(4,907)
Elevation Cannabis, LLC	(167,270)	263,704
Engage3 Holdings, Inc.	7,446	-
Engage3 Holdings, Inc. - Warrants	(74,439)	-
Flowery - Bill's Nursery, Inc.	(110,730)	61,103
Fluent Corp. (f/k/a Consortium)	(60,676)	-
HA-MD, LLC	(2,688)	3,608
Hartford Gold Group, LLC: (Maturity: 1/6/2027)	(23,560)	23,560
Hartford Gold Group, LLC: (Maturity: 12/17/2025)	(12,063)	12,063
Kaleafa, Inc.	27,409	-
Kapple Holdings LLC (Cannabis & Glass)	49,592	-
Minden Holdings, LLC	(3,176)	3,176
Nova Farms, LLC	(122,025)	237,595
Oasis - AZ GOAT AZ LLC	(70,319)	(4,033)
PharmaCann, Inc.	-	135,369
Portofino Labs, Inc. (dba Because Market)	63,273	-
Portofino Labs, Inc. (dba Because Market) - Warrants	(26,500)	-
Proper Holdings, LLC	(3,130)	3,130
Protect Animals With Satellites LLC (Halo Collar): Incremental Term Loan	5,076	(6,441)
Protect Animals With Satellites LLC (Halo Collar): Term Loan	7,455	(9,643)
Remedy - Maryland Wellness, LLC	(23,341)	44,729
RTCP, LLC	(1,045)	19,948
Shangri-La Columbia, LLC	132,733	-
Silver Therapeutics, Inc.	(60,700)	-
Simspace Corporation	72,959	(72,959)
STIIIZY, Inc. (f/k/a Shryne Group Inc.)	118,971	(185,946)
Subsero Holdings - Illinois, Inc	93,998	9,416
Sunny Days Enterprises, LLC	(43,094)	43,094
TerrAscend Corporation	22,408	-
TheraTrue, Inc.	29,857	-
Tulip.io Inc.	(16,349)	(30,143)
Verano Holdings Corp.	(259,245)	(208,031)
Wellgreens 2.0, LLC	(105,138)	-
West Creek Financial Holdings, Inc. dba Koalafi	51,228	(18,320)
Workbox Holdings Inc.	(46,470)	46,493
Workbox Holdings Inc.: A-3 Warrants	(47,000)	(5,785)
Workbox Holdings Inc.:A-4 Warrants	(103,715)	(12,041)
Youth Opportunity Investments, LLC	47,237	49,484
Total net change in unrealized appreciation (depreciation) from investments	\$ 207,930	\$ 246,004

## CHICAGO ATLANTIC BDC, INC.

During the year ended December 31, 2025, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our loan portfolio. 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).

### **Financial Condition, Liquidity and Capital Resources**

Our liquidity and capital resources are generated primarily from cash flows from operating activities, including proceeds from sales of investments and principal repayments, and interest and fee income earned on investments, as well as borrowings under our Revolving Line of Credit and potentially from future offerings of our securities. The primary uses of our cash includes (i) investments in portfolio companies, (ii) payment of operating expenses, and (iii) dividend payments to holders of our common stock. We have used, and expect to continue to use, our borrowings, including our Revolving Line of Credit, as well as proceeds from investment income and the turnover of our portfolio, to finance our investment objectives and activities.

In accordance with the 1940 Act, we are allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150% after such borrowings (i.e., we are able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). As of December 31, 2025, we had approximately \$2.9 million in cash and cash equivalents and \$25.0 million in total aggregate principal amount of outstanding debt. Our asset coverage as of December 31, 2025, was 1314%. Subject to borrowing base and other restrictions, we had approximately \$75.0 million available for additional borrowings under the Revolving Line of Credit as of December 31, 2025.

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.

We believe we have sufficient liquidity available to meet our short-term and long-term obligations for at least the next 12 months and for the foreseeable future thereafter. We cannot, however, be certain that these sources of funds will be available at a time and upon terms acceptable to us in sufficient amounts in the future.

As of December 31, 2025 and December 31, 2024, we had cash and cash equivalents of approximately \$2.9 million and \$23.9 million, respectively. During the twelve months ended December 31, 2025, we experienced a net decrease in cash and cash equivalents of approximately \$21 million. During the period, cash used in operating activities was approximately \$20.5 million, primarily driven by the purchase of investments of approximately \$156.2 million, partially offset by proceeds from sales of investments and principal repayments of portfolio investments of \$103.6 million and net investment income of approximately \$33.3 million. Cash used in financing activities was approximately \$0.5 million, primarily driven by distributions paid of approximately \$23.3 million, financing costs paid of approximately \$1.2 million, and offering costs paid of approximately \$1.1 million, offset by proceeds from net borrowings and repayments under our Revolving Line of Credit of \$25 million.

### Dividend Reinvestment Plan

Prior to December 31, 2025, we operated an “opt out” Dividend Reinvestment Plan (“DRIP”) for our stockholders. As a result, if we declared a dividend, then stockholders’ cash distributions were automatically reinvested in additional shares of our common stock, unless they specifically chose to “opt out” of the DRIP so as to receive cash distributions. Stockholders who received distributions in the form of shares of our common stock generally were subject to the same U.S. federal income tax consequences as were stockholders who elected to receive their distributions in cash.

On November 26, 2025, in accordance with the terms of the DRIP and by unanimous written consent of our Board, the DRIP was terminated with an effective date of December 31, 2025. Following the termination of the DRIP, all cash dividends or distributions on our common stock with a record date for payment after December 31, 2025 will be paid in cash rather than in shares of our common stock.

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### 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. To maintain our tax treatment as a RIC, we must meet specified source-of-income requirements and timely distribute to our stockholders for each taxable year at least 90% of our investment company taxable income. Additionally, in order for us not to be subject to U.S. federal excise taxes, we must distribute annually an amount at least equal to the sum of (i) 98% of our net ordinary income for the calendar year, (ii) 98.2% of our 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.

### **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, the Adviser utilizes 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. 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.

## CHICAGO ATLANTIC BDC, INC.

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.

The Adviser conducts this valuation process on a quarterly basis.

The Adviser applies Accounting Standards Codification ("ASC") 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, the Adviser considers 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, 2025 and December 31, 2024 were 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.

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.

## CHICAGO ATLANTIC BDC, INC.

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.

### *Quarterly NAV Determination*

The Adviser determines 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 base management fee and incentive fees owed to the Adviser. See “Item 1A. Business – Investment Advisory Agreement – Management Fee.”

### *Valuation Determinations in Connection with Certain Offerings*

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

- the NAV 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 NAV 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 NAV 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 has determined reflects the current (as of a time within 48 hours, excluding Sundays and holidays) NAV of our common stock, which is based upon the NAV 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 NAV of our common stock since the date of the most recently disclosed NAV 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 shares of common stock at a price per share below the then current NAV 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 NAV per share fluctuates by certain amounts in certain circumstances until the prospectus is amended, our Board 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 NAV 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 NAV per share, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the NAV 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.

### **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

**CHICAGO ATLANTIC BDC, INC.**

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.”

## CHICAGO ATLANTIC BDC, INC.

**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 generally do 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 our 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, 2025, 71.8% of our debt investments based on outstanding principal balance represented floating-rate investments based on PRIME or SOFR and approximately 28.2% of our debt investments based on outstanding principal balance represented fixed rate investments. 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, 2025, approximately 63% of our floating-rate investments based on PRIME or SOFR, were at their respective interest rate floors. As of December 31, 2024 approximately 41% of our floating-rate investments based on PRIME or SOFR, were at their respective interest rate floors.

Based on our Statements of Assets and Liabilities as of December 31, 2025, the following table shows the annualized impact on net investment income of hypothetical base rate changes in the benchmark rate on our debt investments (considering interest rate floors/ceilings for floating rate instruments) and hypothetical changes in the SOFR on our Revolving Line of Credit, assuming that there is no change in our investment and borrowing structure (in thousands):

Change in Interest Rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Increase (Decrease) in Net Investment Income
Up 300 basis points	\$ 5,843	\$ 750	\$ 5,093
Up 200 basis points	\$ 3,443	\$ 500	\$ 2,943
Up 100 basis points	\$ 1,330	\$ 250	\$ 1,080
Down 100 basis points	\$ (402)	\$ (179)	\$ (223)
Down 200 basis points	\$ (498)	\$ (179)	\$ (319)
Down 300 basis points	\$ (594)	\$ (179)	\$ (415)

**CHICAGO ATLANTIC BDC, INC.**

Based on our Statements of Assets and Liabilities 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):

<b>Change in Interest Rates</b>	<b>Increase (Decrease) in Interest Income</b>	<b>Increase (Decrease) in Interest Expense</b>	<b>Increase (Decrease) in Net Investment Income</b>
Up 300 basis points	\$ 6,618	\$ -	\$ 6,618
Up 200 basis points	\$ 4,412	\$ -	\$ 4,412
Up 100 basis points	\$ 2,206	\$ -	\$ 2,206
Down 100 basis points	\$ (648)	\$ -	\$ (648)
Down 200 basis points	\$ (1,285)	\$ -	\$ (1,285)
Down 300 basis points	\$ (1,777)	\$ -	\$ (1,777)

CHICAGO ATLANTIC BDC, INC.

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.  
New York, NY

**Opinion on the Financial Statements**

We have audited the accompanying statements of assets and liabilities of Chicago Atlantic BDC, Inc. (the “Company”), including the schedules of investments, as of December 31, 2025 and 2024, the related statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended December 31, 2025, 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, 2025, and 2024, 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 19, 2026

**Chicago Atlantic BDC, Inc.**  
**Statements of Assets and Liabilities**

	<b>As of December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Investments at fair value:		
Non-control/non-affiliate investments at fair value (amortized cost of \$332,209,170 and \$274,346,711, respectively)	\$ 333,311,787	\$ 275,241,398
Interest receivable	3,175,591	3,582,610
Cash and cash equivalents	2,934,752	23,932,406
Due from affiliates	1,804,032	2,361,019
Prepaid expenses and other assets	770,292	321,108
Receivable for investment sold	-	4,122,500
<b>Total assets</b>	<b>\$ 341,996,454</b>	<b>\$ 309,561,041</b>
<b>LIABILITIES</b>		
Revolving line of credit	\$ 25,000,000	\$ -
Distributions payable	7,759,001	-
Income-based incentive fees payable	2,073,319	1,998,945
Management fee payable	1,446,470	758,362
Due to affiliates	1,311,604	905,129
Professional fees payable	456,616	458,809
Other payables	284,774	46,219
Capital gains incentive fees payable	163,473	121,887
Excise tax payable	69,609	88,709
Unearned interest income	23,514	37,752
Transaction fees payable related to the Loan Portfolio Acquisition	-	2,945,125
Offering costs payable	-	989,645
Deferred financing costs payable	-	47,881
<b>Total liabilities</b>	<b>\$ 38,588,380</b>	<b>\$ 8,398,463</b>
Commitments and contingencies (Note 7)		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 22,820,590 and 22,820,386 shares issued and outstanding, respectively	\$ 228,206	\$ 228,204
Additional paid-in-capital	303,154,218	303,272,034
Distributable earnings (Accumulated loss)	25,650	(2,337,660)
<b>Total net assets</b>	<b>\$ 303,408,074</b>	<b>\$ 301,162,578</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 13.30</b>	<b>\$ 13.20</b>

See notes to financial statements.

**Chicago Atlantic BDC, Inc.**  
**Statements of Operations**

	For the Years Ended December 31,		
	2025	2024	2023
<b>INVESTMENT INCOME</b>			
<b>Non-control/non-affiliate investment income</b>			
Interest income	\$ 49,268,175	\$ 19,905,843	\$ 11,736,649
Fee income	5,033,987	1,759,910	196,251
<b>Total investment income</b>	<b>54,302,162</b>	<b>21,665,753</b>	<b>11,932,900</b>
<b>EXPENSES</b>			
Income-based incentive fees	8,305,705	2,327,448	1,511,253
Management fee	5,452,521	1,504,239	1,013,764
General and administrative expenses	4,634,672	700,000	-
Interest expense	1,249,657	-	-
Professional fees	886,505	527,358	435,090
Legal expenses	719,097	282,156	343,824
Audit expense	651,252	497,200	499,698
Other expenses	626,891	430,254	355,672
Sub-administrator fees	587,300	449,974	335,253
Excise tax expense	72,406	120,024	10,655
Capital gains incentive fees	41,586	34,304	87,583
Transaction expenses related to the Loan Portfolio Acquisition	-	5,341,779	711,264
<b>Total expenses</b>	<b>23,227,592</b>	<b>12,214,736</b>	<b>5,304,056</b>
Waiver of general and administrative expenses (Note 6)	(658,477)	-	-
Expense limitation agreement (Note 6)	(1,338,202)	-	-
<b>Net expenses</b>	<b>21,230,913</b>	<b>12,214,736</b>	<b>5,304,056</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>33,071,249</b>	<b>9,451,017</b>	<b>6,628,844</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>-</b>	<b>(74,483)</b>	<b>(210,767)</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>			
Non-controlled non-affiliate investments	207,930	246,004	922,031
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>207,930</b>	<b>246,004</b>	<b>922,031</b>
<b>Net realized and unrealized gains (losses)</b>	<b>207,930</b>	<b>171,521</b>	<b>711,264</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 33,279,179</b>	<b>\$ 9,622,538</b>	<b>\$ 7,340,108</b>
<b>NET INVESTMENT INCOME (LOSS) PER SHARE - BASIC AND DILUTED</b>	<b>\$ 1.45</b>	<b>\$ 0.91</b>	<b>\$ 1.07</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE - BASIC AND DILUTED</b>	<b>\$ 1.46</b>	<b>\$ 0.93</b>	<b>\$ 1.18</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>22,820,489</b>	<b>10,343,621</b>	<b>6,214,682</b>

See notes to financial statements.

**Chicago Atlantic BDC, Inc.**  
**Statements of Changes in Net Assets**

	Common Stock			Distributable Earnings/ (Accumulated Loss)	Total Net Assets
	Shares	Par Value	Additional paid-in- capital		
<b>Balance, December 31, 2024</b>	22,820,386	\$ 228,204	\$ 303,272,034	\$ (2,337,660)	\$ 301,162,578
<i>Net increase (decrease) in net assets resulting from operations</i>					
Net investment income (loss)	-	-	-	33,071,249	33,071,249
Net realized gain (loss) from investments	-	-	-	-	-
Net change in unrealized appreciation (depreciation) from investments	-	-	-	207,930	207,930
Total net increase (decrease) in net assets resulting from operations	-	-	-	33,279,179	33,279,179
<i>Distributions to stockholders from:</i>					
Investment income-net	-	-	-	(31,035,872)	(31,035,872)
<i>Capital transactions</i>					
Issuance of common stock, net of offering costs	-	-	-	-	-
Reinvestment of stockholder distributions	204	2	2,187	-	2,189
Total net increase (decrease) in net assets from capital transactions	204	2	2,187	-	2,189
Total increase (decrease) in net assets	204	2	2,187	2,243,307	2,245,496
Effect of permanent adjustments	-	-	(120,003)	120,003	-
<b>Balance, December 31, 2025</b>	<u>22,820,590</u>	<u>\$ 228,206</u>	<u>\$ 303,154,218</u>	<u>\$ 25,650</u>	<u>\$ 303,408,074</u>

	Common Stock			Distributable Earnings/ (Accumulated Loss)	Total Net Assets
	Shares	Par Value	Additional paid-in- capital		
<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>	<u>22,820,386</u>	<u>\$ 228,204</u>	<u>\$ 303,272,034</u>	<u>\$ (2,337,660)</u>	<u>\$ 301,162,578</u>

**Chicago Atlantic BDC, Inc.**  
**Statements of Changes in Net Assets**

	Common Stock			Distributable Earnings/ (Accumulated Loss)	Total Net Assets
	Shares	Par Value	Additional paid-in- capital		
<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>	6,214,941	\$ 62,149	\$ 85,041,203	\$ 449,266	\$ 85,552,618

See notes to financial statements

**Chicago Atlantic BDC, Inc.**  
**Statements of Cash Flows**

	For the Years Ended December 31,		
	2025	2024	2023
<b>Cash flows from operating activities</b>			
Net increase (decrease) in net assets resulting from operations	\$ 33,279,179	\$ 9,622,538	\$ 7,340,108
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net change in unrealized (appreciation) depreciation from investments	(207,930)	(246,004)	(922,031)
Net (accretion of discounts) and amortization of premiums	(2,700,864)	(1,101,295)	(810,554)
Purchase of investments	(156,219,502)	(29,943,975)	(8,442,000)
PIK interest capitalized	(2,558,891)	(743,775)	(115,725)
Proceeds from sales of investments and principal repayments	103,616,798	21,410,831	6,214,093
Amortization of deferred financing costs	628,985	-	-
Net realized (gain) loss from investments	-	74,483	210,767
<b>(Increase) Decrease in operating assets:</b>			
Interest receivable	407,019	(1,827,250)	(196,279)
Receivable for investment sold	4,122,500	(4,122,500)	-
Due from affiliates	556,987	(2,361,019)	-
Prepaid expenses and other assets	129,546	(133,953)	(56,953)
<b>Increase (Decrease) in operating liabilities:</b>			
Income-based incentive fees payable	74,374	487,692	1,511,253
Management fee payable	688,108	501,241	86,156
Capital gains incentive fees payable	41,586	34,304	87,583
Professional fees payable	(2,193)	26,856	221,639
Transaction fees payable related to the Loan Portfolio Acquisition	(2,945,125)	2,233,861	711,264
Other payables	238,555	32,397	(19,841)
Due to affiliates	406,475	905,129	(37)
Excise tax payable	(19,100)	78,054	(69,911)
Unearned interest income	(14,238)	37,752	-
<b>Net cash provided by (used in) operating activities</b>	<u>(20,477,731)</u>	<u>(5,034,633)</u>	<u>5,749,532</u>
<b>Cash flows from financing activities</b>			
Offering costs paid	(1,090,931)	(274,728)	-
Distributions paid	(23,274,682)	(12,419,330)	(8,263,217)
Financing costs paid	(1,154,310)	-	-
Proceeds from borrowings on revolving line of credit	51,500,000	-	-
Principal payments under revolving line of credit	(26,500,000)	-	-
Proceeds from issuance of common stock	-	9,049,462	-
<b>Net cash provided by (used in) financing activities</b>	<u>(519,923)</u>	<u>(3,644,596)</u>	<u>(8,263,217)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(20,997,654)	(8,679,229)	(2,513,685)
<b>Cash and cash equivalents, beginning of period</b>	23,932,406	32,611,635	35,125,320
<b>Cash and cash equivalents, end of period</b>	<u>\$ 2,934,752</u>	<u>\$ 23,932,406</u>	<u>\$ 32,611,635</u>
<b>Supplemental disclosures</b>			
Excise taxes paid	\$ 115,357	\$ 41,969	\$ 80,566
Interest expense paid	37,979	-	-
<b>Non-cash operating, financing and investing activity</b>			
Accrual for deferred financing costs (Note 2)	\$ 1,106,429	\$ 47,881	\$ -
Accrual for deferred offering costs (Note 2)	101,286	49,998	-
Reinvestment of dividend distribution	2,189	812	2,318
Loans acquired for issuances of shares of common stock	-	210,571,663	-

**Chicago Atlantic BDC, Inc.**  
**December 31, 2025**  
**Schedule of Investments**  
**(In thousands)**

Portfolio Company	Facility Type	All in Rate	Benchmark (%)	Spread	PIK	Floor	Initial Acquisition Date	Maturity	Par <sup>(2)</sup>	Amortized Cost <sup>(15)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets	Footnotes
<b>Investments at Fair Value</b>													
<b>US Corporate Debt</b>													
<b>First Lien Senior Secured</b>													
<b>U.S. Debt</b>													
<b>Administrative and Support and Waste Management and Remediation Services</b>													
Hugo Technologies, Inc.									3,000	3,000	3,000	1.0%	(10)
<b>Total Administrative and Support and Waste Management and Remediation Services</b>										<b>3,000</b>	<b>3,000</b>	<b>1.0%</b>	
<b>Cannabis</b>													
Aeriz Holdings Corp	Delayed Draw Term Loan	12.50%	P	5.75%	0.00%	0.00%	6/30/2025	6/30/2028	9,590	9,590	9,590	3.2%	(9)
Archos Capital Group, LLC	Delayed Draw Term Loan	14.25%	P	5.75%	0.00%	8.50%	10/1/2024	1/5/2026	113	113	113	0.0%	(10)
BeLeaf Medical, LLC		13.25%	P	5.75%	0.00%	7.50%	8/20/2025	8/20/2028	14,004	14,004	14,074	4.6%	(10)
CO Acquisition Vehicle, LLC	Term Loan	20.00%	F	0.00%	0%	0.00%	9/30/2025	12/31/2029	15,521	15,521	15,521	5.1%	(9)
Cresco Labs, LLC	Term Loan	12.50%	F	12.50%	0.00%	0.00%	8/13/2025	8/13/2030	7,223	7,162	7,162	2.4%	(10)
Dreamfields Brands, Inc. (d/b/a Jeeter)	Delayed Draw Term Loan	16.25%	P	8.75%	0.00%	7.50%	5/3/2023	9/30/2028	31,745	31,713	31,745	10.5%	(11)
Elevation Cannabis, LLC	Delayed Draw Term Loan	16.25%	P	7.75%	0.00%	8.50%	10/1/2024	12/31/2026	10,822	10,671	10,768	3.5%	(10)
Flowery - Bill's Nursery, Inc.	Delayed Draw Term Loan	16.00%	F	11.00%	5.00%	0.00%	10/1/2024	12/31/2027	13,978	13,958	13,908	4.6%	(12)
FLUENT Corp.		13.00%	F	12.00%	1.00%	0.00%	3/31/2025	11/24/2028	8,481	8,372	8,311	2.7%	(12)
HA-MD, LLC		15.00%	F	15.00%	0.00%	0.00%	10/1/2024	6/6/2026	2,870	2,869	2,870	1.0%	(12)
Illicit - S1 Enterprises, Inc.	Term Loan	13.96%	S	10.24%	0.00%	3.72%	12/31/2025	12/31/2028	15,000	14,610	14,610	4.8%	(10)
Kaleafa, Inc.		17.00%	P	8.50%	0.00%	8.50%	12/4/2024	12/3/2027	2,741	2,741	2,768	0.9%	(11)
Kapple Holdings LLC (Cannabis & Glass)	Delayed Draw Term Loan	14.53%	S	10.25%	0.00%	4.00%	3/28/2025	7/28/2028	3,667	3,635	3,685	1.2%	(11)
Nova Farms, LLC	Term Loan	15.00%	P	6.50%	0.00%	8.50%	10/1/2024	3/28/2027	14,196	13,655	13,770	4.5%	(9)
Oasis - AZ GOAT AZ LLC	Term Loan	15.50%	P	7.50%	0.00%	8.00%	10/1/2024	3/31/2027	84	4,370	4,296	1.4%	(11)
Shangri-La Columbia, LLC	Delayed Draw Term Loan	13.25%	P	5.75%	0.00%	7.50%	6/30/2025	6/30/2028	11,400	11,210	11,343	3.7%	(10)(18)
Silver Therapeutics, Inc.	Delayed Draw Term Loan	15.00%	P	7.25%	0.00%	7.75%	3/26/2025	3/24/2028	6,070	6,070	6,009	2.0%	(9)
Subsero Holdings - Illinois, Inc	Delayed Draw Term Loan	16.00%	P	7.00%	2.00%	7.00%	10/1/2024	7/29/2026	2,711	2,688	2,792	0.9%	(10)
TerrAscend Corporation		12.75%	F	12.75%	0.00%	0.00%	7/15/2025	8/1/2028	3,043	2,915	2,937	1.0%	(14)
TheraTrue, Inc.	Delayed Draw Term Loan	14.50%	F	14.50%	0.00%	0.00%	3/18/2025	3/13/2027	2,986	2,986	3,016	1.0%	(10)
Verano Holdings Corp.	Term Loan	13.25%	P	6.50%	0.00%	6.25%	10/27/2024	10/30/2026	42,249	42,241	42,249	13.9%	(10)
Verano Holdings Corp.	Revolver	12.49%	S	8.33%	0.00%	4.00%	9/30/2025	9/29/2028	10,000	10,000	10,000	3.3%	(10)
Wellgreens 2.0, LLC	Term Loan	14.00%	P	6.50%	0.00%	7.50%	7/24/2025	7/31/2029	4,398	4,438	4,333	1.4%	(11)(19)
<b>Total Cannabis</b>										<b>235,593</b>	<b>235,870</b>	<b>77.6%</b>	
<b>Educational Services</b>													
Energize Holdings, Inc. (d/b/a Exos)	Term Loan	11.99%	S	8.00%	0.00%	3.99%	11/24/2025	10/24/2029	5,000	4,966	4,966	1.6%	(13)
<b>Total Educational Services</b>										<b>4,966</b>	<b>4,966</b>	<b>1.6%</b>	
<b>Information</b>													
AI Software, LLC (d/b/a Capacity)	Delayed Draw Term Loan	16.00%	P	6.50%	2.00%	7.50%	6/13/2025	6/13/2029	5,044	4,670	5,095	1.7%	(10)
Engage3 Holdings, Inc.	Term Loan	14.00%	P	2.50%	4.00%	7.50%	7/22/2025	7/22/2030	6,089	5,777	5,784	1.9%	(11)
Protect Animals With Satellites LLC (Halo Collar)	Term Loan	13.25%	P	1.75%	3.00%	8.50%	10/1/2024	11/1/2026	3,577	3,472	3,470	1.1%	(9)
Protect Animals With Satellites LLC (Halo Collar)	Incremental Term Loan	13.25%	P	1.75%	3.00%	8.50%	10/1/2024	11/1/2026	1,858	1,804	1,803	0.6%	(9)

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<b>Total Information</b>										<b>15,723</b>	<b>16,152</b>	<b>5.3%</b>	
<b>Manufacturing</b>													
Action Target, Inc.	Delayed Draw Term Loan	12.00%	P	2.00%	1.50%	8.50%	8/29/2025	7/19/2027	2,440	2,440	0.8%	(11)	
Ocular Science, Inc.	Term Loan	13.00%	P	5.25%	1.00%	6.75%	12/17/2025	6/17/2029	5,000	4,851	1.6%	(11)	
<b>Total Manufacturing</b>										<b>7,291</b>	<b>7,291</b>	<b>2.4%</b>	
<b>Public Administration</b>													
Youth Opportunity Investments, LLC	Term Loan	12.02%	S	7.75%	0.00%	4.00%	10/1/2024	9/18/2026	11,447	11,407	3.8%	(10)	
<b>Total Public Administration</b>										<b>11,407</b>	<b>11,504</b>	<b>3.8%</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	2,334	1,988	0.7%	(10)	
<b>Total Real Estate and Rental and Leasing</b>										<b>1,988</b>	<b>1,988</b>	<b>0.7%</b>	
<b>Retail Trade</b>													
Aura Home, Inc.	Term Loan	10.77%	S	6.50%	0.00%	3.75%	10/1/2024	9/22/2026	3,325	3,309	1.1%	(9)	
Aura Home, Inc.	Term Loan	10.77%	S	6.50%	0.00%	3.75%	4/11/2025	9/22/2026	519	516	0.2%	(9)	
Portofino Labs, Inc. (dba Because Market)	Term Loan	12.03%	S	6.25%	1.50%	4.25%	4/30/2025	4/30/2029	5,007	5,070	1.7%		
<b>Total Retail Trade</b>										<b>8,851</b>	<b>8,895</b>	<b>3.0%</b>	
<b>Total First Lien Senior Secured U.S. Debt</b>										<b>288,819</b>	<b>289,666</b>	<b>95.4%</b>	

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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>(5)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets	Footnotes	
<b>Senior Secured U.S. Notes</b>														
<b>Cannabis</b>														
Ascend Wellness Holdings, Inc.	Senior Secured Note	12.75%	F	12.75%	0.00%	0.00%	7/16/2024	7/16/2029	3,500	3,370	3,483	1.1%	(9)	
Curaleaf Holdings, Inc.	Senior Secured Note	8.00%	F	8.00%	0.00%	0.00%	10/11/2022	12/15/2026	8,500	8,052	8,330	2.7%	(9)(14)	
<b>Total Cannabis</b>										<b>11,422</b>	<b>11,813</b>	<b>3.8%</b>		
<b>Finance and Insurance</b>														
<b>RTCP, LLC</b>														
	Senior Secured Note	15.00%	F	15.00%	0.00%	0.00%	10/1/2024	10/2/2028	22,000	0	21,981	22,000	7.3%	(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	3,643	3,628	3,661	1.2%	(12)	
<b>Total Finance and Insurance</b>										<b>25,609</b>	<b>25,661</b>	<b>8.5%</b>		
<b>Total Senior Secured U.S. Notes</b>										<b>37,031</b>	<b>37,474</b>	<b>12.3%</b>		
<b>Second Lien Senior Secured</b>														
<b>Cannabis</b>														
Remedy - Maryland Wellness, LLC	Delayed Draw Term Loan	20.25%	P	9.00%	3.50%	7.75%	10/1/2024	8/1/2028	1,426	1,426	1,447	0.5%	(9)	
<b>Total Cannabis</b>										<b>1,426</b>	<b>1,447</b>	<b>0.5%</b>		
<b>Total Second Lien Senior Secured U.S. Debt</b>										<b>1,426</b>	<b>1,447</b>	<b>0.5%</b>		
<b>Total U.S. Corporate Debt</b>										<b>327,276</b>	<b>328,587</b>	<b>108.2%</b>		
<b>First Lien Senior Secured</b>														
<b>Canadian Debt</b>														
<b>Information</b>														
Tulipio Inc.	Term Loan	15.00%	P	4.00%	3.00%	8.00%	11/4/2024	11/4/2028	3,099	3,100	3,053	1.0%	(8)(14)	
<b>Total Information</b>										<b>3,100</b>	<b>3,053</b>	<b>1.0%</b>		
<b>Total First Lien Senior Secured Canadian Debt</b>										<b>3,100</b>	<b>3,053</b>	<b>1.0%</b>		
<b>Total Canadian Corporate Debt</b>										<b>3,100</b>	<b>3,053</b>	<b>1.0%</b>		
<b>Total Debt Investments</b>										<b>330,376</b>	<b>331,640</b>	<b>109.2%</b>		

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Portfolio Company	Class Series	Initial Acquisition Date	Shares	Cost	Fair Value	% of Net Assets	Footnotes
<b>U.S. Preferred Stock</b>							
<b>Real Estate and Rental and Leasing</b>							
Workbox Holdings, Inc.	A-1 Preferred	5/20/2024	358,950	500	500	0.2%	(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>500</b>	<b>500</b>	<b>0.2%</b>	
<b>Total U.S. Preferred Stock</b>				<b>500</b>	<b>500</b>	<b>0.2%</b>	
<b>U.S. Warrants</b>							
<b>Educational Services</b>							
Energize Holdings, Inc. (d/b/a Exos)	Warrants	11/24/2025	152,880	36	36	0.0%	(13)
<b>Total Educational Services</b>				<b>36</b>	<b>36</b>	<b>0.0%</b>	
<b>Information</b>							
AI Software, LLC (d/b/a Capacity)	Warrants	6/13/2025	270,850	431	539	0.2%	(10)
Engage3 Holdings, Inc.	Warrants	7/22/2025	975,490	342	268	0.1%	(11)
<b>Total Information</b>				<b>773</b>	<b>807</b>	<b>0.3%</b>	
<b>Manufacturing</b>							
Ocular Science, Inc.	Warrants	12/17/2025	1,890,960	151	151	0.0%	(11)
<b>Total Manufacturing</b>				<b>151</b>	<b>151</b>	<b>0.0%</b>	
<b>Real Estate and Rental and Leasing</b>							
Workbox Holdings, Inc.	A-3 Warrants	5/20/2024	791,258	97	44	0.0%	(10)
Workbox Holdings, Inc.	A-4 Warrants	5/20/2024	2,083,258	230	115	0.0%	(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>327</b>	<b>159</b>	<b>0.0%</b>	
<b>Retail Trade</b>							
Portofino Labs, Inc. (dba Because Market)	Warrants	4/30/2025	73,554	46	19	0.0%	(11)
<b>Total Retail Trade</b>				<b>46</b>	<b>19</b>	<b>0.0%</b>	
<b>Total U.S. Warrants</b>				<b>1,333</b>	<b>1,172</b>	<b>0.5%</b>	
<b>Canadian Warrants</b>							
<b>Information</b>							
Tulip.io Inc.	Warrants	11/4/2024	-	-	-	0.0%	(8)(14)
<b>Total Information</b>				<b>-</b>	<b>-</b>	<b>0.0%</b>	
<b>Total Canadian Warrants</b>				<b>-</b>	<b>-</b>	<b>0.0%</b>	
<b>Total Equity Investments</b>				<b>1,833</b>	<b>1,672</b>	<b>0.7%</b>	
<b>TOTAL INVESTMENTS</b>					<b>332,209</b>	<b>12</b>	<b>109.9%</b>

### Footnote Legend

- Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the Financial Accounting Standards Board's Accounting Standards Codification 820, *Fair Value Hierarchy*.
- Par represents the outstanding principal balance net of repayments, if any, as per the terms of the debt instrument's contract.
- 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 Credit or Loan Service Agreement. As of December 31, 2025, rates for 1M S, 3M S and 6M S are 3.79%, 4.01%, and 4.20%, respectively. As of December 31, 2025, the P was 6.75%. Loans identified as "F" pay interest at the fixed rate listed in the table.
- 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, 2025, 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, 2025, the aggregate fair value of non-qualifying assets is \$14,319,903 or 4.19% of the Company’s total assets.
- (15) The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and payment-in-kind (“PIK”) interest or dividends.
- (16) Under the 1940 Act, as amended, the Company generally is deemed to be an “affiliated person” of a portfolio company if it owns 5% or more of the portfolio company’s voting securities and is generally deemed to “control” a portfolio company if it owns more than 25% of the portfolio company’s voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2025, the Company did not hold investments in portfolio companies of which it is deemed to be an “affiliated person” or deemed to “control” a portfolio company.
- (17) Assets are pledged as collateral for the Revolving Line of Credit (as defined below). See "Note 5 - Debt."
- (18) Facility has an all in rate cap of 16.75%
- (19) Facility has a prime rate cap of 9.50%.

F - Fixed  
P - Prime  
PIK - Payment-In-Kind  
S - SOFR

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	Footnote
<b>Investments at Fair Value</b>													
<b>U.S. Corporate Debt First Lien Senior Secured</b>													
<b>U.S. Debt Cannabis</b>													
(1) (5)													
Aeriz Holdings Corp	Delayed Draw Term Loan	15.50%	P	6.00%	2.0	7.00%	10/1/2024	6/30/2025	\$ 10,75	\$ 9,927	\$ 9,873	3.3%	(9)
Archos Capital Group, LLC	Delayed Draw Term Loan	13.25%	P	5.75%	0.0	8.50%	10/1/2024	2/28/2025	2	1,462	1,462	0.5%	(10)
Deep Roots Harvest, Inc.	Delayed Draw Term Loan	14.00%	P	6.50%	0.0	8.00%	10/23/2024	8/15/2027	5,000	5,000	4,975	1.7%	(11)
Dreamfields Brands, Inc. (d/b/a Jeeter)	Delayed Draw Term Loan	16.25%	P	8.75%	0.0	7.50%	5/3/2023	5/3/2026	31,745	31,659	31,745	10.5%	(11)
Elevation Cannabis, LLC	Delayed Draw Term Loan	15.25%	P	7.75%	0.0	8.50%	10/1/2024	12/31/2026	14,300	13,893	14,157	4.7%	(10)
Flowery - Bill's Nursery, Inc.	Delayed Draw Term Loan	16.00%	F	11.00%	5.0	0.00%	10/1/2024	12/31/2025	12,364	12,303	12,364	4.1%	(12)
HA-MD, LLC	Term Loan	15.00%	F	15.00%	0.0	0.00%	10/1/2024	6/6/2026	3,290	3,286	3,290	1.1%	(12)
Kalefa, Inc.	Term Loan	16.00%	P	8.50%	0.0	8.50%	10/1/2024	12/31/2027	2,875	2,875	2,875	1.0%	(11)
Nova Farms, LLC	Term Loan	14.00%	P	6.50%	0.0	8.50%	10/1/2024	3/28/2027	15,679	14,579	14,817	4.9%	(9)
Oasis - AZ GOAT AZ LLC	Term Loan	15.00%	P	7.50%	0.0	8.00%	10/1/2024	3/31/2026	5,146	5,073	5,069	1.7%	(11)
Proper Holdings, LLC	Delayed Draw Term Loan	13.00%	F	11.00%	2.0	0.00%	10/1/2024	11/28/2025	4,396	4,393	4,396	1.5%	(10)
Remedy - Maryland Wellness, LLC	Delayed Draw Term Loan	18.50%	P	7.50%	3.5	5.00%	10/1/2024	8/4/2025	3,146	3,086	3,130	1.0%	(9)
STHIZY, Inc. (f/k/a Shryne Group Inc.)	Term Loan	17.00%	P	8.50%	1.0	4.00%	5/26/2022	5/26/2027	40,793	40,504	40,385	13.4%	(11)
Subsero Holdings - Illinois, Inc	Delayed Draw Term Loan	16.50%	P	7.00%	2.0	7.00%	10/1/2024	7/29/2026	2,941	2,873	2,882	1.0%	(10)
Verano Holdings Corp.	Term Loan	14.00%	P	6.50%	0.0	6.25%	10/27/2024	10/30/2026	51,768	51,760	52,027	17.2%	(10)(14)
<b>Total Cannabis</b>										<b>202,673</b>	<b>203,447</b>	<b>67.6%</b>	
<b>Finance and Insurance</b>													
Hartford Gold Group, LLC	Term Loan	14.40%	S	9.85%	0.0	1.50%	10/1/2024	12/17/2025	162	144	156	0.1%	(11)
Hartford Gold Group, LLC	Term Loan	14.40%	S	9.85%	0.0	1.50%	10/1/2024	1/6/2027	1,682	1,431	1,455	0.5%	(11)
Minden Holdings, LLC	Term Loan	14.75%	P	7.25%	0.0	0.00%	10/1/2024	5/31/2026	2,200	2,197	2,200	0.7%	(10)
<b>Total Finance and Insurance</b>										<b>3,772</b>	<b>3,811</b>	<b>1.3%</b>	
<b>Health Care and Social Assistance</b>													
Sunny Days Enterprises, LLC	Delayed Draw Term Loan	20.25%	P	4.75%	8.0	3.50%	10/1/2024	3/31/2025	2,742	2,754	2,797	0.9%	(9)
<b>Total Health Care and Social Assistance</b>										<b>2,754</b>	<b>2,797</b>	<b>0.9%</b>	
<b>Information</b>													
Protect Animals With Satellites LLC (Halo Collar)	Term Loan	12.25%	P	1.75%	3.0	8.50%	10/1/2024	11/1/2026	3,666	3,417	3,407	1.1%	(9)
Protect Animals With Satellites LLC (Halo Collar)	Incremental Term Loan	12.25%	P	1.75%	3.0	8.50%	10/1/2024	11/1/2026	2,004	1,870	1,864	0.6%	(9)
Simspace Corporation	Term Loan	17.50%	P	10.00%	0.0	8.50%	10/1/2024	11/1/2025	6,500	6,573	6,500	2.2%	(9)
<b>Total Information</b>										<b>11,860</b>	<b>11,771</b>	<b>3.9%</b>	
<b>Public Administration</b>													
Youth Opportunity Investments, LLC	Term Loan	12.28%	S	7.75%	0.0	4.00%	10/1/2024	9/18/2026	10,375	10,273	10,323	3.4%	(10)

**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>(7)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets	Footnote
<b>Total Public Administration</b>										10,273	10,323	3.4%	
<b>Real Estate and Rental and Leasing</b>													
Workbox Holdings Inc.	Term Loan	12.00%	F	6.00%	6.0	0.00%	5/20/2024	5/31/2029	1,622	1,406	1,452	0.5%	(10)
<b>Total Real Estate and Rental and Leasing</b>										1,406	1,452	0.5%	
<b>Retail Trade</b>													
Aura Home, Inc	Term Loan	12.03%	S	7.50%	0.0	4.00%	10/1/2024	9/22/2025	3,325	3,285	3,275	1.1%	(9)
<b>Total Retail Trade</b>										3,285	3,275	1.1%	
<b>Total First Lien Senior Secured U.S. Debt</b>										236,023	236,876	78.7%	
<b>Senior Secured U.S. Notes</b>													
<b>Cannabis</b>													
Ascend Wellness Holdings, Inc.	Senior Secured Notes	12.75%	F	12.75%	0.0	0.00%	7/16/2024	7/16/2029	3,500	3,331	3,308	1.1%	(9)
Curaleaf Holdings, Inc.	Senior Secured Notes	8.00%	F	8.00%	0.0	0.00%	10/11/2022	12/15/2026	4,500	4,142	4,253	1.4%	(9)(14)
<b>Total Cannabis</b>										7,473	7,561	2.5%	
<b>Finance and Insurance</b>													
RTCP, LLC	Senior Secured Notes	15.00%	F	15.00%	0.0	0.00%	10/1/2024	10/2/2028	22,000	21,980	22,000	7.3%	(13)
West Creek Financial Holdings, Inc. dba Koalafi	Series A Senior Note	18.80%	F	13.80%	5.0	0.00%	10/1/2024	11/29/2027	5,148	5,115	5,096	1.7%	(12)
<b>Total Finance and Insurance</b>										27,095	27,096	9.0%	
<b>Total Senior Secured U.S. Notes</b>										34,568	34,657	11.5%	
<b>Total U.S. Corporate Debt</b>										270,590	271,532	90.2%	
<b>First Lien Senior Secured Canadian Debt</b>													
<b>Information</b>													
Tulip.io Inc.	Term Loan	14.50%	P	4.00%	3.0	8.00%	11/4/2024	11/4/2028	3,014	3,014	2,984	1.0%	(8)(14)
<b>Total Information</b>										3,014	2,984	1.0%	
<b>Total First Lien Senior Secured Canadian Debt</b>										3,014	2,984	1.0%	
<b>Total Canadian Corporate Debt</b>										3,014	2,984	1.0%	
<b>Total Debt Investments</b>										273,604	274,516	91.2%	

**Chicago Atlantic BDC, Inc.**  
**December 31, 2024**  
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**(In thousands)**

Portfolio Company	Class Series	Initial Acquisition Date	Shares	Amortized Cost <sup>(17)</sup>	Fair Value	% of Net Assets	Footnote
<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	0.2%	(6)(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>500</b>	<b>500</b>	<b>0.2%</b>	
<b>Total U.S. Preferred Stock</b>				<b>500</b>	<b>500</b>	<b>0.2%</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	0.0%	(6)(10)
Workbox Holdings Inc.	A-4 Warrants	5/20/2024	105,000	146	134	0.0%	(6)(10)
<b>Total Real Estate and Rental and Leasing</b>				<b>243</b>	<b>225</b>	<b>0.0%</b>	
<b>Total U.S. Warrants</b>				<b>243</b>	<b>225</b>	<b>0.0%</b>	
<b>Canadian Warrants</b>							
<b>Information</b>							
Tulip.io Inc.	Warrants	11/4/2024	64,776	-	-	0.0%	(6)(8)(14)
<b>Total Information</b>				<b>-</b>	<b>-</b>	<b>0.0%</b>	
<b>Total Canadian Warrants</b>				<b>-</b>	<b>-</b>	<b>0.0%</b>	
<b>Total Equity Investments</b>				<b>743</b>	<b>725</b>	<b>0.2%</b>	
<b>TOTAL INVESTMENTS</b>				<b>274,347</b>	<b>275,241</b>	<b>91.4%</b>	

Portfolio Company	Yield	Cost	Fair Value	% of Net Assets	Footnote
<b>Cash &amp; Cash Equivalents</b>					
State Street Institutional US Government Money Market Fund	4.43%	23,932	23,932	7.9%	(15)(16)
<b>Total Cash &amp; Cash Equivalents</b>		<b>23,932</b>	<b>23,932</b>	<b>7.9%</b>	
<b>Total Portfolio Investments and Cash &amp; Cash Equivalents</b>		<b>298,279</b>	<b>299,174</b>	<b>99.3%</b>	

**Footnote Legend**

- (1) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the Financial Accounting Standards Board's Accounting Standards Codification 820's Fair Value Hierarchy.
- (2) Par represents the outstanding principal balance 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 Credit or Loan Service Agreement. 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.

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**(In thousands)**

- (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 Statements of Assets and Liabilities.
- (17) The amortized cost represents the original cost adjusted for any accretion of discounts, amortization of premiums and payment-in-kind ("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. (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 regulated 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.

The Company is managed by Chicago Atlantic BDC Advisers, 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's operations.

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 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.

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 was created to combine and jointly operate the Adviser’s, and a portion of Chicago Atlantic’s, investment management businesses (the “Joint Venture”).

In connection with the Loan Portfolio Acquisition and the Joint Venture, the Company was renamed “Chicago Atlantic BDC, Inc.,” and its ticker symbol was changed to “LIEN,” and the Adviser was 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* ("ASC 946") 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.

***Consolidation***

As provided under ASC 946, the Company will not consolidate its investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. An investment company's interests in portfolio companies that are not investment companies are measured at fair value in accordance with ASC 946.

***Reclassifications***

Certain reclassifications have been made in the presentation of prior year financial statements and accompanying notes to conform to the current year presentation.

***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, *Fair Value Measurement* ("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, 2025 and December 31, 2024, cash and cash equivalents consisted of \$2.9 million and \$23.9 million, respectively, all of which are held with high credit quality financial institutions, which are members of the FDIC.

***Investment Transactions***

Investment transactions are recorded on the 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.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

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.

***Investment Valuation***

The Company's investments are recorded at their 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, the Adviser utilizes 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 of Directors of the Company (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.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

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.

The Adviser conducts this valuation process on a quarterly basis.

The Adviser applies 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 is 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, the Adviser considers the principal market to be the market that has the greatest volume and level of activity. The Adviser applies 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.

***Preferred Stock and Warrants***

The Company may be issued preferred stock or warrants by portfolio companies as yield enhancements in connection with a related debt investment. Preferred stock or warrants are recorded as assets at fair value on the grant date. The Adviser determines the cost basis of these equity investments received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and equity received.

The Adviser generally utilizes the market approach to estimate the fair value of preferred stock as of the measurement date. As part of its application of the market approach, the Company estimates the enterprise value of a portfolio company utilizing customary pricing multiples, which may include EBITDA multiples, revenue multiples or asset multiples, based on the development stage of the underlying issuers, that are assessed to be indicative of fair value of the respective portfolio company.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

Depending on the facts and circumstances, the Adviser generally utilizes the market approach or a Black-Scholes pricing model to estimate the fair value of warrants as of the measurement date. As part of its application of the market approach, the Adviser estimates the enterprise value of a portfolio company utilizing customary pricing multiples, which may include EBITDA multiples, revenue multiples or asset multiples, based on the development stage of the underlying issuers, that are assessed to be indicative of fair value of the respective portfolio company. When appropriate the Black-Scholes pricing model is used to estimate the fair value of warrants for accounting purposes. This model requires the use of highly subjective inputs including expected volatility and expected life, in addition to variables for the valuation of equity positions in private companies. Significant changes in any of these unobservable inputs may result in a significantly higher or lower fair value estimate.

#### ***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 payment-in-kind ("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).

##### *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 status. 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

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

non-accrual status, the accrued, uncapitalized interest or dividends are generally reversed through interest or dividend income, respectively. As of December 31, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, the Company recorded \$23,514 and \$37,752, 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, 2025, 2024 and 2023, the Company accrued \$72,406, \$120,024 and \$10,655, respectively, of excise taxes. As of December 31, 2025 and December 31, 2024, \$69,609 and \$88,709, respectively, of accrued excise taxes remained payable.

During the year ended December 31, 2025, the Company determined that it had overpaid its estimated federal excise tax liability for the prior fiscal year by \$23,850. This overpayment resulted in an excise tax receivable and is included in prepaid expenses and other assets on the Statements of Assets and Liabilities. The Company has evaluated the realizability of the deferred tax asset and believes it is more likely than not that the benefit will be realized in future periods through either a refund or application against future excise tax liabilities. Accordingly, no valuation allowance has been recorded against this deferred tax asset.

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.

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Based on the analysis of the Company's tax position, the Company had no uncertain tax positions that met the recognition or measurement criteria as of December 31, 2025 and December 31, 2024. 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, 2025, 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.

***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, 2025 and December 31, 2024, deferred offering costs were \$151,284 and \$49,998, 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 years ended December 31, 2025, 2024, and 2023, \$0, \$1,214,375, and \$0 respectively, of offering costs were charged to capital. As of December 31, 2025 and December 31, 2024, there were \$0 and \$989,645, respectively, of offering costs that remained payable by the Company.

***Transaction expenses related to the Loan Portfolio Acquisition***

For the years ended December 31, 2025, 2024 and 2023, the Company incurred transaction expenses related to the Loan Portfolio Acquisition of \$0, \$5,341,779 and \$711,264, respectively. As of December 31, 2025 and December 31, 2024, \$0 and \$2,945,125, 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 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. In addition to origination expenses, the Company pays an annual upfront fee related to its credit facility. These fees are deferred and amortized as interest expense using the straight-line method over a one-year term. Deferred financing costs are included in prepaid expenses and other assets on the Statements of Assets and Liabilities. As of December 31, 2025 and December 31, 2024, deferred financing costs payable were \$0 and \$47,881, respectively.

***New Accounting Standards***

On January 1, 2025, the Company adopted Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires, among other things, greater disaggregation of information in the income tax rate reconciliation and for paid income taxes to be disaggregated by jurisdiction. This ASU affects financial statement disclosure only. The Company adopted ASU 2023-09 on a prospective basis and concluded that the application of the guidance did not have any material impact on its financial statements.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40). ASU No. 2024-03 requires disaggregated disclosure of

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certain costs and expenses, including purchase of inventory, employee compensation, depreciation, amortization and depletion, within relevant income statement captions. ASU 2024-03 is effective for annual years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption and retrospective application are permitted. The Company is currently evaluating the impact of adopting ASU No. 2024-03.

**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, equity investments and derivative investments.

In the tables presented below for the Company's debt investments, 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 portfolio investments by investment type as of December 31, 2025 and December 31, 2024.

Investment Type	As of December 31, 2025					
	Principal Balance	Percentage at Principal Balance	Amortized Cost	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
First Lien Senior Secured Loans	\$ 295,145,971	88.3%	\$ 291,918,975	87.9%	\$ 292,719,497	87.8%
Senior Secured Notes	37,642,786	11.3%	37,030,961	11.1%	37,473,499	11.2%
Second Lien Senior Secured Loans	1,425,799	0.4%	1,425,798	0.4%	1,447,186	0.4%
Warrants	-	0.0%	1,333,436	0.4%	1,171,605	0.4%
Preferred Stock	-	0.0%	500,000	0.2%	500,000	0.2%
Total	<u>\$ 334,214,556</u>	<u>100.0%</u>	<u>\$ 332,209,170</u>	<u>100.0%</u>	<u>\$ 333,311,787</u>	<u>100.0%</u>

Investment Type	As of December 31, 2024					
	Principal Balance	Percentage at Principal Balance	Amortized Cost	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	-	0.0%	500,000	0.2%	500,000	0.2%
Warrants	-	0.0%	242,826	0.1%	225,000	0.1%
Total	<u>\$ 277,417,394</u>	<u>100.0%</u>	<u>\$ 274,346,711</u>	<u>100.0%</u>	<u>\$ 275,241,398</u>	<u>100.0%</u>

The following tables summarize the composition of the Company's debt portfolio based on rate characteristics as of December 31, 2025 and December 31, 2024.

Rate Type	As of December 31, 2025			
	Principal Balance	Amortized Cost	Fair Value	Time to Maturity
Fixed-rate debt	\$ 94,255,821	\$ 92,862,392	\$ 93,187,170	2.7 years
Floating-rate debt (SOFR)	57,002,436	56,470,076	56,660,443	2.5 years
Floating-rate debt (PRIME)	182,956,299	181,043,266	181,792,569	2.0 years
Total Debt Instruments	<u>\$ 334,214,556</u>	<u>\$ 330,375,734</u>	<u>\$ 331,640,182</u>	2.3 years

Rate Type	As of December 31, 2024			
	Principal Balance	Amortized Cost	Fair Value	Time to Maturity
Fixed-rate debt	\$ 56,819,862	\$ 55,954,923	\$ 56,158,027	2.6 years
Floating-rate debt (SOFR)	15,543,708	15,134,388	15,209,230	1.5 years
Floating-rate debt (PRIME)	205,053,824	202,514,574	203,149,141	1.8 years
Total Debt Instruments	<u>\$ 277,417,394</u>	<u>\$ 273,603,885</u>	<u>\$ 274,516,398</u>	1.9 years

The Company's portfolio investments are primarily in companies conducting business in or supporting the cannabis industry. The Company uses the North American Industry Classification System ("NAICS") for classifying the industry groupings of its portfolio companies, excluding any portfolio company operating in the cannabis industry.

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The following tables summarize the composition of the Company's portfolio investments by industry as of December 31, 2025 and December 31, 2024.

Industry	As of December 31, 2025			
	Amortized Cost	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
Cannabis	\$ 248,441,479	74.8%	\$ 249,130,462	74.7%
Finance and Insurance	25,609,187	7.7%	25,660,999	7.7%
Information	19,595,501	5.9%	20,011,566	6.0%
Public Administration	11,407,386	3.4%	11,504,108	3.5%
Retail Trade	8,896,598	2.7%	8,914,151	2.7%
Manufacturing	7,441,941	2.2%	7,441,941	2.2%
Educational Services	5,001,681	1.5%	5,001,681	1.5%
Administrative and Support and Waste Management and Remediation Services	3,000,000	0.9%	3,000,000	0.9%
Real Estate and Rental and Leasing	2,815,397	0.9%	2,646,879	0.8%
Total	<u>\$ 332,209,170</u>	<u>100.0%</u>	<u>\$ 333,311,787</u>	<u>100.0%</u>

Industry	As of December 31, 2024			
	Amortized Cost	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	<u>\$ 274,346,711</u>	<u>100.0%</u>	<u>\$ 275,241,398</u>	<u>100.0%</u>

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 of ND, SD, NE, KS, MO, IA, MN, WI, MI, IL, IN and OH; Northeast, for the states of 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, 2025 and December 31, 2024.

Geographic Region	As of December 31, 2025			
	Amortized Cost	Percentage at Amortized Cost	Fair Value	Percentage at Fair Value
<b>United States:</b>				
Midwest	\$ 138,071,134	41.6%	\$ 138,912,130	41.7%
Northeast	66,803,146	20.1%	67,247,357	20.2%
West	65,511,094	19.7%	65,410,158	19.6%
Southeast	28,827,032	8.7%	28,750,558	8.6%
Southwest	26,982,778	8.1%	27,001,681	8.1%
<b>International:</b>				
Canada	6,013,986	1.8%	5,989,903	1.8%
Total	<u>\$ 332,209,170</u>	<u>100.0%</u>	<u>\$ 333,311,787</u>	<u>100.0%</u>

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Geographic Region	As of December 31, 2024			
	Amortized Cost	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%
<b>Total</b>	<b>\$ 274,346,711</b>	<b>100.0%</b>	<b>\$ 275,241,398</b>	<b>100.0%</b>

***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, government 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.

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 includes 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;

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- 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, 2025 and December 31, 2024, we had three portfolio companies that represented 31.8% and 45.1%, respectively, of the fair values of our portfolio. As of December 31, 2025 and December 31, 2024, our largest portfolio company represented 15.7% and 18.9%, respectively, of the total fair values of our investments in portfolio companies.

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.

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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 its 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, 2025 and December 31, 2024, the Company's portfolio investments consisted primarily of investments in senior 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 the use of 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). 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, 2025 and December 31, 2024 were as follows:

Investment Type	Fair Value Measurements at December 31, 2025 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
First Lien Senior Secured Loans	\$ -	\$ -	\$ 292,719,497	\$ 292,719,497
Senior Secured Notes	-	-	37,473,499	37,473,499
Second Lien Senior Secured Loans	-	-	1,447,186	1,447,186
Warrants	-	-	1,171,605	1,171,605
Preferred Stock	-	-	500,000	500,000
Total	\$ -	\$ -	\$ 333,311,787	\$ 333,311,787

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**Fair Value Measurements at December 31, 2024 Using**

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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>

The following tables provide a summary of the significant unobservable inputs used to fair value the Level 3 portfolio investments as of December 31, 2025 and December 31, 2024. 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 the U.S. Prime Rate ("PRIME"), Secured Overnight Financing Rate ("SOFR") and/or U.S. Treasury Rates, as applicable, for senior secured first lien term loans, as of December 31, 2025 and December 31, 2024.

Investment Type	Fair Value as of December 31, 2025	Valuation Techniques/ Methodologies	Unobservable Input	Range	Weighted Average <sup>(1)</sup>
First Lien Senior Secured Loans	\$ 249,770,789	Discounted Cash Flow	Discount Rate	8.40% - 23.25%	12.81%
First Lien Senior Secured Loans	42,948,708	Recent Transaction	N/A	N/A	N/A
Senior Secured Notes	37,473,499	Discounted Cash Flow	Discount Rate	5.87% - 18.23%	10.66%
Second Lien Senior Secured Loans	1,447,186	Discounted Cash Flow	Discount Rate	18.39% - 20.39%	19.64%
Warrants	826,250	Enterprise Value	Revenue Multiple	1.75x - 5.25x	4.52x
Preferred Stock	500,000	Market Approach	Current Value	1.75x	1.75x
Warrants	345,355	Option Pricing Model	Volatility Factor	49.00% - 72.00%	51.51%
<b>Total</b>	<b>\$ 333,311,787</b>				

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Investment Type	Fair Value as of December 31, 2024	Valuation Techniques/ Methodologies	Unobservable Input	Range	Weighted Average <sup>(1)</sup>
First Lien Senior Secured Loans	\$ 239,860,206	Discounted Cash Flow	Discount Rate	9.10% - 28.60%	13.38%
Senior Secured Notes	34,656,192	Discounted Cash Flow	Discount Rate	7.40% - 17.20%	11.53%
Preferred Stock	500,000	Market Approach	Current Value	2.5x	2.5x
Warrants	225,000	Option Pricing Model	Volatility Factor	47.20%	47.20%
<b>Total</b>	<b>\$ 275,241,398</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 year ended December 31, 2025 and 2024:

	First Lien Senior Secured Loans	Senior Secured Notes	Second Lien Senior Secured Loans	Preferred Stock	Warrants	Total
Fair Value as of December 31, 2024	\$ 239,860,206	\$ 34,656,192	\$ -	\$ 500,000	\$ 225,000	\$ 275,241,398
Purchases	151,528,892	3,600,000	-	-	1,090,610	156,219,502
Accretion of discount and fees (amortization of premium), net	2,323,787	368,422	8,655	-	-	2,700,864
PIK interest	2,290,897	240,912	27,082	-	-	2,558,891
Proceeds from sales of investments and principal repayments	(100,272,803)	(1,745,795)	(1,598,200)	-	-	(103,616,798)
Net realized gain (loss) on investments	-	-	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	15,404	353,768	(17,237)	-	(144,005)	207,930
Transfers between investment types	(3,026,886)	-	3,026,886	-	-	-
<b>Balance as of December 31, 2025</b>	<b>\$ 292,719,497</b>	<b>\$ 37,473,499</b>	<b>\$ 1,447,186</b>	<b>\$ 500,000</b>	<b>\$ 1,171,605</b>	<b>\$ 333,311,787</b>

Net change in unrealized appreciation/depreciation on Level 3 investments still held as of December 31, 2025	\$ (163,816)	\$ 353,768	\$ (23,342)	\$ -	\$ (144,005)	\$ 22,605
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	First Lien Senior Secured Loans	Senior Secured Notes	Preferred Stock	Warrants	Total
Fair Value as of December 31, 2023	46,006,000	\$ 8,114,000	\$ -	\$ -	\$ 54,120,000
Purchases	209,436,202	30,336,610	500,000	242,826	240,515,638
Accretion of discount and fees (amortization of premium), net	836,005	265,290	-	-	1,101,295
PIK interest	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
<b>Balance as of December 31, 2024</b>	<b>\$ 239,860,206</b>	<b>\$ 34,656,192</b>	<b>\$ 500,000</b>	<b>\$ 225,000</b>	<b>\$ 275,241,398</b>

Net change in unrealized appreciation/depreciation on Level 3 investments still held as of December 31, 2024	\$ 190,368	\$ 73,462	\$ -	\$ (17,826)	\$ 246,004
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**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 5 – DEBT*****Revolving Line of Credit***

On February 11, 2025, the Company entered into a senior secured revolving credit agreement (the “Credit Agreement” or the “Revolving Line of Credit”) by and 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. 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 SOFR plus 3.00%, subject to a minimum interest rate of 6.00%, with the all in interest rate on outstanding borrowings under the Revolving Line of Credit as of December 31, 2025 equal to 6.72%. 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. For the years ended December 31, 2025, 2024 and 2023, the company recorded \$435,792, \$0, and \$0 respectively, of commitment fees which are included in interest expense on the Statements of Operations. The Company will also 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.

The Company incurred \$1,154,310 of financing costs in connection with the origination of the Revolving Line of Credit. As of December 31, 2025 and 2024, \$525,324 and \$47,881, respectively, of deferred financing costs were included in prepaid expenses and other assets on the Statements of Assets and Liabilities. For the years ended December 31, 2025, 2024 and 2023, \$628,985, \$0, and \$0 respectively, of such costs were amortized and included in interest expense on the Statements of Operations.

As of December 31, 2025, the Company had \$25,000,000 in outstanding borrowings on the Revolving Line of Credit. The Revolving Line of Credit includes customary affirmative and negative covenants, including certain limitations on the incurrence of additional indebtedness and liens, as well as usual and customary events of default for revolving credit facilities of this nature. The Revolving Line of Credit is secured by all of the Company’s assets pledged as collateral.

The fair value of the Revolving Line of Credit is equal to its carrying value because the revolver is a floating rate facility that reprices to a market rate frequently. The fair value is categorized as Level 2 under ASC 820.

The following table presents the components of interest expense for the following periods:

	<b>For the Years Ended December 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Commitment fee	\$ 435,792	-	-
Amortization of deferred financing costs	628,985	-	-
Interest expense	184,880	-	-
<b>Total interest expense</b>	<b>\$ 1,249,657</b>	<b>-</b>	<b>-</b>
Average interest rate	7.02%	-	-
Average daily borrowings	\$ 2,597,260	-	-

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

*Senior Securities*

Information about our senior securities is shown in the following table as of December 31, 2025 (in thousands except for per unit data).

<b>Class and Period</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities<sup>(1)</sup></b>	<b>Asset Coverage Per Unit<sup>(2)</sup></b>	<b>Involuntary Liquidating Preference Per Unit<sup>(3)</sup></b>	<b>Average Market Value Per Unit<sup>(4)</sup></b>
<b>Revolving Credit Facility</b> December 31, 2025	\$ 25,000,000	\$ 13,136	-	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the carrying value of our total assets, less all liabilities excluding indebtedness represented by senior securities in this table, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness and is calculated on a consolidated basis.

(3) The amount to which such class of senior security would be entitled upon our involuntary liquidation in preference to any security junior to it. The “-” in this column indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

(4) Not applicable because the senior securities are not registered for public trading.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 6 — 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, 2025, 2024 and 2023, the Company incurred management fee expenses of \$5,452,521, \$1,504,239 and \$1,013,764, respectively. As of December 31, 2025 and December 31, 2024, \$1,446,470 and \$758,362, respectively, remained payable.

For the years ended December 31, 2025, 2024 and 2023, the Company incurred income-based incentive fee expenses of \$8,305,705, \$2,327,448 and \$1,511,253, respectively. As of December 31, 2025 and December 31, 2024, \$2,073,319 and \$1,998,945, respectively, remained payable.

For the years ended December 31, 2025, 2024 and 2023, the Company incurred capital gains incentive fee expenses of \$41,586, \$34,304 and \$87,583, respectively. As of December 31, 2025 and December 31, 2024, \$163,473 and \$121,887, respectively, remained payable.

*Expense Limitation Agreement*

On October 1, 2024, 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 ended 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.

The Expense Limitation Agreement expired in accordance with its terms on September 30, 2025 and was not renewed.

For the years ended December 31, 2025, 2024 and 2023, \$1,338,202, \$0, and \$0, respectively, of the Company’s operating expenses were waived by the Adviser pursuant to the Expense Limitation Agreement.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

*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, the Company may reimburse the Adviser for an allocable portion of the compensation paid by the Adviser to its Chief Compliance Officer ("CCO") and Chief Financial Officer ("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, 2025, 2024 and 2023.

	<b>For the Years Ended December 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Affiliate Payments</b>			
Income-based incentive fees	\$ 8,305,705	\$ 2,327,448	\$ 1,511,253
Management fee	5,452,521	1,504,239	1,013,764
Capital gains incentive fees	41,586	34,304	87,583
<b>Total management and incentive fees</b>	<b>13,799,812</b>	<b>3,865,991</b>	<b>2,612,600</b>
General and administrative expenses	4,634,672	700,000	-
Waiver of general and administrative expenses	(658,477)	-	-
Expense limitation agreement	(1,338,202)	-	-
General and administrative expenses reimbursable to the Adviser	2,637,993	700,000	-
<b>Total affiliate payments</b>	<b>\$ 16,437,805</b>	<b>\$ 4,565,991</b>	<b>\$ 2,612,600</b>

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, 2025 and December 31, 2024. Due to affiliates as of December 31, 2025 was \$1,311,604, of which \$1,210,993 and \$100,611, represented general and administrative expenses reimbursable to the Adviser and amounts due to Chicago Atlantic Advisers, LLC for expenses paid on the Company's behalf, respectively. Total amounts payable to the Adviser and its affiliates as of December 31, 2024 were \$905,129, of which \$820,797 and \$84,332, represented general and administrative expenses reimbursable to the Adviser and amounts due to Chicago Atlantic Admin, LLC, respectively.

For the year ended December 31, 2025, the Adviser voluntarily and irrevocably waived \$658,477 of general and administrative expenses incurred by the Adviser that would have otherwise been reimbursed and payable by the Company. The expenses waived for the year ended December 31, 2025, are not subject to recoupment by the Adviser or future reimbursement by the Company. There were no waived expenses for the years ended December 31, 2024 and 2023.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

*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, LP.

The Loan Administrator allocated fees to the Company amounting to \$852,297 and \$90,399, recorded as Fee Income by the Company for the years ended December 31, 2025 and December 31, 2024, respectively.

The Loan Administrator allocated PIK to the Company amounting to \$65,041 and \$4,755, recorded as PIK income by the Company for the years ended December 31, 2025 and December 31, 2024, respectively.

Interest and principal payments from our portfolio companies which were received by the Loan Administrator prior to December 31, 2025, but which were not remitted to the Company until after December 31, 2025, are included in due from affiliates on the Statements of Assets and Liabilities. As of December 31, 2025, the due from affiliates balance of \$1,804,032 consists of \$1,249,998 and \$554,034 in interest and principal payments receivable, respectively. The amounts due from affiliates as of December 31, 2025 were collected in January 2026.

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 Statements 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 affiliates as of December 31, 2024 were collected in January 2025.

*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, 2025 and December 31, 2024, \$280,731,131 and \$272,816,695, respectively, of the Company’s investments were co-investments with affiliates of the Company.

*Other Related Party Transactions*

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. Since the Company’s initial public offering, the Adviser has transferred a substantial portion of these shares to its members and as of December 31, 2025, held approximately 2.9 million shares of the Company’s common stock. The Adviser does 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 its 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 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 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, its 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, 2025, the Adviser and its affiliates held approximately 14% of the Company’s voting stock and have the ability to exert influence over all corporate actions requiring stockholder approval, including the election and

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

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.

During the years ended December 31, 2025 and 2024, the Adviser and certain related parties received dividend distributions from the Company relating to their shares held. Refer to "Note 8 – Common Stock" for further details on the distributions declared.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 7 — 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, 2025 and December 31, 2024, the Company had the following unfunded commitments on existing loans:

	As of December 31,	
	2025	2024
Unfunded delayed draw loan commitments	\$ 16,319,048	\$ 1,250,000
Undrawn revolver commitments	8,333,333	-
<b>Total unfunded commitments</b>	<b>\$ 24,652,381</b>	<b>\$ 1,250,000</b>

The Company did not have any other off-balance sheet commitments or liabilities as of December 31, 2025 or December 31, 2024. 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 the Revolving Line of Credit) and maintains adequate liquidity to fund its unfunded commitments through these sources.

***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, 2025, there were no material legal matters or material litigation pending of which the Company is aware.

**NOTE 8 — COMMON STOCK**

As of December 31, 2025, 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 Loan Portfolio Acquisition, pursuant to 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.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**Distributions**

The following table summarizes distributions declared by the Company during the year ended December 31, 2025:

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share Amount</b>	<b>Dividends Declared</b>
March 14, 2025	Quarterly	March 28, 2025	April 11, 2025	\$ 0.34	\$ 7,758,931
May 12, 2025	Quarterly	June 27, 2025	July 11, 2025	\$ 0.34	\$ 7,758,939
August 14, 2025	Quarterly	September 29, 2025	October 10, 2025	\$ 0.34	\$ 7,759,001
November 11, 2025	Quarterly	December 31, 2025	January 15, 2026	\$ 0.34	\$ 7,759,001

The following table summarizes distributions declared and paid by the Company during the year ended December 31, 2024:

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share Amount</b>	<b>Dividends Paid</b>
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**

Prior to December 31, 2025, the Company operated an “opt out” Dividend Reinvestment Plan (“DRIP”) for its stockholders. As a result, if the Company declared a dividend, then stockholders’ cash distributions were automatically reinvested in additional shares of the Company’s common stock, unless they specifically chose to “opt out” of the DRIP so as to receive cash distributions. Stockholders who received distributions in the form of shares of the Company’s common stock generally were subject to the same U.S. federal income tax consequences as were stockholders who elected to receive their distributions in cash.

On November 26, 2025, in accordance with the terms of the DRIP and by unanimous written consent of the Company’s Board, the DRIP was terminated with an effective date of December 31, 2025. Following the termination of the DRIP, all cash dividends or distributions on the Company’s common stock with a record date for payment after December 31, 2025 will be paid in cash rather than in shares of the Company’s common stock.

During the year ended December 31, 2025, the Company issued the following shares of common stock under the DRIP:

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Shares</b>
March 14, 2025	Quarterly	March 28, 2025	April 11, 2025	22
May 12, 2025	Quarterly	June 27, 2025	July 11, 2025	182

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

<b>Declaration Date</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Shares</b>
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

**NOTE 9 — 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.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

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 10 — 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, 2025, 2024 and 2023:

	For the Years ended December 31,		
	2025	2024	2023
Net increase (decrease) in net assets resulting from operations	\$ 33,279,179	\$ 9,622,538	\$ 7,340,108
Weighted Average Shares Outstanding - basic and diluted	22,820,489	10,343,621	6,214,682
Net increase (decrease) in net assets resulting from operations per share - basic and diluted	\$ 1.46	\$ 0.93	\$ 1.18

**NOTE 11 — INCOME TAXES**

The Company adopted a tax year end of March 31 and elected to be treated as a 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 maintain its RIC status 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 U.S. GAAP. The final determination of the source of all distributions in 2025 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 U.S. 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 had not recorded a liability for any uncertain tax positions pursuant to the provisions of ASC 740 as of December 31, 2025 and December 31, 2024.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

In the normal course of business, the Company is subject to examination by federal and certain state and local tax regulators.

For tax purposes, net realized capital losses may be carried over to offset future capital gains, if any. Funds 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, 2025, the Company's most recent tax year end, the Company had a net short-term capital loss carryforward of \$210,767 and a net long-term capital loss carryforward of \$74,483, each of which may be carried forward for an indefinite period.

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.

For the tax years ended March 31, 2025 and March 31, 2024, the Company reclassified for book purposes amounts arising from permanent book to tax differences primarily related to non-deductible excise tax paid.

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Increase (decrease) in additional paid in capital	\$ (120,003)	\$ (10,676)
Increase (decrease) in distributable earnings (accumulated loss)	120,003	10,676

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 nine months ended December 31, 2025 and the tax year ended March 31, 2025, were as follows:

	<b>For the tax period from April 1, 2025 through December 31, 2025</b>	<b>For the tax year from April 1, 2024 through March 31, 2025</b>
Ordinary income	\$ 23,276,941	\$ 18,625,335
Long-term Capital Gain	-	-
Return of Capital	-	-
Total Distributions	<u>\$ 23,276,941</u>	<u>\$ 18,625,335</u>

As of March 31, 2025 and March 31, 2024, 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, and distributions payable.

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Undistributed ordinary income	\$ 9,344,744	\$ 1,782,017
Net unrealized appreciation (depreciation) on investments	(3,210,239)	1,248,303
Capital Gain/(Loss) Carry Forwards	(285,250)	(210,767)
Other temporary differences	(8,211,487)	(3,393,536)
Total	<u>\$ (2,362,232)</u>	<u>\$ (573,983)</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 as of December 31, 2025 and March 31, 2025:

	<b>December 31, 2025</b>	<b>March 31, 2025</b>
Tax cost of investments and cash equivalents	\$ 332,209,170	\$ 307,394,719
Unrealized appreciation	1,852,518	1,286,665
Unrealized depreciation	(4,813,014)	(4,496,904)
Net unrealized appreciation (depreciation) from investments and cash equivalents	<u>\$ (2,960,496)</u>	<u>\$ (3,210,239)</u>

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 12 — FINANCIAL HIGHLIGHTS**

The following presents financial highlights for the following periods:

	For the Years Ended December 31,			For the period from April 1, 2022 through December 31, 2022 <sup>*</sup>	For the period from February 3, 2022 through March 31, 2022
	2025	2024	2023		
<b>Per share data:</b>					
Net asset value at beginning of period	\$ 13.20	\$ 13.77	\$ 13.91	\$ 13.61	\$ 14.00
Net investment income (loss) <sup>(1)</sup>	1.45	0.91	1.07	0.35	(0.07)
Net realized and unrealized gains/(losses) on investments <sup>(1)</sup>	0.01	0.02	0.11	(0.05)	-
Net increase/(decrease) in net assets resulting from operations <sup>(1)</sup>	1.46	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>	(1.36)	(1.09)	(1.32)	-	-
Net asset value at end of period	\$ 13.30	\$ 13.20	\$ 13.77	\$ 13.91	\$ 13.61
Net assets at end of period	\$ 303,408,074	\$ 301,162,578	\$ 85,552,618	\$ 86,475,729	\$ 84,552,090
Shares outstanding at end of period	22,820,590	22,820,386	6,214,941	6,214,672	6,214,672
Weighted average net assets	\$ 301,747,444	\$ 138,475,878	\$ 88,187,537	\$ 84,885,270	\$ 83,301,328
Per share market value at end of period	\$ 10.33	\$ 12.19	\$ 8.44	\$ 9.80	\$ 13.30
Total return based on market value <sup>(4)</sup>	(6.79)%	59.20%	-13.88%	-26.32%	-5.00%
Total return based on net asset value <sup>(4)</sup>	10.82%	5.66%	13.65%	2.20%	-2.79%
<b>Ratio/Supplemental data:</b>					
Ratio of net investment income (loss) to average net assets	10.96%	6.83%	7.52%	2.59% <sup>(5)</sup>	(0.2)% <sup>(5)</sup>
Ratio of expenses to average net assets	7.70%	8.82%	6.01%	2.17% <sup>(5)</sup>	22% <sup>(5)</sup>
Ratio of waived expenses to average net assets <sup>(6)</sup>	(0.66)%	-	-	-	-
Ratio of net expenses to average net assets	7.04%	-	-	-	-
Portfolio turnover	34.16%	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.

(1) The per share data was derived by using the weighted average shares outstanding during the periods presented.

(2) The Adviser 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.

(3) 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.

(4) 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.

(5) Ratio is not annualized.

(6) Ratio of only voluntarily waived expenses to average net asset is (0.22)%.

**Chicago Atlantic BDC, Inc.**  
**Notes to Financial Statements**

**NOTE 13 — SEGMENT REPORTING**

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, Principal 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 increase (decrease) in net assets resulting from operations, which is reported on the Statement of Operations. In addition to numerous other factors and metrics, the CODM utilizes net increase (decrease) in net assets resulting from operation as a key metric in determining 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 Statements of Assets and Liabilities as "total assets" and the significant segment expenses are listed on the accompanying Statements of Operations.

**NOTE 14 — 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 15 — 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.

On March 18, 2026 the Board approved a cash dividend of \$0.34 per share. The dividend is payable on April 14, 2026, to stockholders of record on March 30, 2026.

**Chicago Atlantic BDC, Inc.**

**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 CEO and Interim CFO, 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 CEO and Interim CFO, 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, 2025.

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 SEC.

*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, 2025 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, 2025, 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.

**Chicago Atlantic BDC, Inc.**

**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 2026 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 2026 Annual Meeting of Stockholders, to be filed with the SEC 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 2026 Annual Meeting of Stockholders, to be filed with the SEC 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 2026 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Item 14. Principal Accounting Fees and Services.**

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2026 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Chicago Atlantic BDC, Inc.****PART IV****Item 15. Exhibits, 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, 2025 and 2024  
Statements of Operations for the Years Ended December 31, 2025, 2024, and 2023  
Statements of Changes in Net Assets for the Years Ended December 31, 2025, 2024, and 2023  
Statements of Cash Flows for the Years Ended December 31, 2025, 2024, and 2023 of this annual report on Form  
Notes to Financial Statements

The following exhibits are as 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>	<a href="#">Purchase Agreement by and between Silver Spike Investment Corp. and Chicago Atlantic Loan Portfolio, LLC dated as of February 18, 2024</a> <sup>(1)</sup>
<a href="#">3.1</a>	<a href="#">Articles of Amendment and Restatement of the Company</a> <sup>(2)</sup>
<a href="#">3.2</a>	<a href="#">Articles of Amendment of the Company</a> <sup>(3)</sup>
<a href="#">3.3</a>	<a href="#">Second Amended and Restated Bylaws of the Company</a> <sup>(4)</sup>
<a href="#">4.1</a>	<a href="#">Description of Securities</a> <sup>(5)</sup>
<a href="#">10.1</a>	<a href="#">Credit Agreement</a> <sup>(6)</sup>
<a href="#">10.2</a>	<a href="#">Investment Advisory Agreement by and between the Company and Chicago Atlantic BDC Advisers, LLC</a> <sup>(7)</sup>
<a href="#">10.3</a>	<a href="#">WATC Custody Agreement</a> <sup>(8)</sup>
<a href="#">10.4</a>	<a href="#">WAB Custody Agreement</a> <sup>(9)</sup>
<a href="#">10.5</a>	<a href="#">Administration Agreement by and between Registrant and Chicago Atlantic BDC Advisers, LLC</a> <sup>(10)</sup>
<a href="#">10.6</a>	<a href="#">License Agreement by and between Registrant and Chicago Atlantic BDC Advisers, LLC</a> <sup>(11)</sup>
<a href="#">10.7</a>	<a href="#">Services Agreement</a> <sup>(12)</sup>
<a href="#">10.8</a>	<a href="#">Expense Limitation Agreement, dated October 1, 2024, between the Company and Chicago Atlantic BDC Advisers, LLC</a> <sup>(13)</sup>
<a href="#">14.1</a>	<a href="#">Code of Ethics of the Company</a> <sup>*</sup>
<a href="#">19.1</a>	<a href="#">Insider Trading Policies and Procedures of the Company</a> <sup>(14)</sup>
<a href="#">24.1</a>	<a href="#">Power of Attorney (included on signature page hereto)</a>
<a href="#">31.1</a>	<a href="#">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>
<a href="#">31.2</a>	<a href="#">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>
<a href="#">32.1</a>	<a href="#">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>
<a href="#">32.2</a>	<a href="#">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*</a>
<a href="#">97.1</a>	<a href="#">Clawback Policy of Chicago Atlantic BDC, Inc.</a> <sup>(15)</sup>

**Chicago Atlantic BDC, Inc.**

101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* 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 3.3 of the Company’s current report on Form 8-K, filed on December 19, 2025.
- (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 current report on Form 8-K, filed on February 18, 2025.
- (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 19.1 of the Company’s annual report on Form 10-K filed on March 31, 2025.
- (15) Incorporated by reference to Exhibit 79 of the Company’s amended annual report on Form 10-K/A filed on April 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 19, 2026

**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, Thomas Geoffroy 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, 2025, 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 19, 2026.

<u>Name</u>	<u>Title</u>
<u>/s/ Scott Gordon</u> Scott Gordon	Director, Executive Chairman of the Board of Directors, and Co-Chief Investment Officer
<u>/s/ Michael W. Chorske</u> Michael W. Chorske	Director
<u>/s/ Americo Da Corte</u> Americo Da Corte	Director
<u>/s/ Patrick McCauley</u> Patrick McCauley	Director
<u>/s/ Supurna VedBrat</u> Supurna VedBrat	Director
<u>/s/ Tracey Brophy Warson</u> Tracey Brophy Warson	Director
<u>/s/ Peter Sack</u> Peter Sack	Chief Executive Officer (Principal Executive Officer)
<u>/s/ Thomas Geoffroy</u> Thomas Geoffroy	Interim Chief Financial Officer (Principal Financial Officer),

**Chicago Atlantic Advisers, LLC**  
**Chicago Atlantic BDC Advisers, LLC**  
**Chicago Atlantic BDC, Inc.**  
**Code of Ethics**  
March 2026

This Code of Ethics (the “**Code**”) is the sole property of Chicago Atlantic Advisers, LLC, Chicago Atlantic BDC Advisers, LLC, and their affiliates (collectively, “**Chicago Atlantic**” or the “**Firm**”) and must be returned to the Firm upon termination or separation for any reason of a Supervised Person’s association with the Firm. The contents of the Code are strictly confidential. Supervised Persons may not duplicate, copy, or reproduce the Code in whole or in part or make it available in any form to non-Supervised Persons without prior approval in writing from the Firm’s Chief Compliance Officer.

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## INTRODUCTION

This Code is applicable to each Access Person (as defined below) of the Firm and is intended to govern the activities and conduct of Access Persons on behalf of the Firm, as well as certain personal activities and conduct of Supervised Persons. The Code does not attempt to serve as a comprehensive guide regarding the conduct of Supervised Persons but, rather, is intended to establish general rules of conduct and procedures applicable to all Access Persons.

Any questions regarding this Code, or other compliance issues, must be directed to the Chief Compliance Officer (“CCO”). The CCO is responsible for administering and implementing this Code. All Supervised Persons are required to be thoroughly familiar with the Firm’s standards and procedures as described in this Code.

To make it easier to review and understand the standards and procedures of this Code, commonly used terms are defined below:

“**1940 Act**” means the Investment Company Act of 1940, as amended.

“**Access Person**” means any Supervised Person of the Firm who: (i) has access to non-public information regarding Funds’ (as defined below) investments, including the purchase or sale of Securities (as defined below); (ii) has access to non-public information regarding the portfolio holdings of any reportable Fund; (iii) is involved in making investment and Securities recommendations or investment advice to the Funds; (iv) has access to such recommendations that are non-public; or (v) is a director, officer or partner of the Firm. All Chicago Atlantic Supervised Persons, including all Chicago Atlantic Employees, are deemed Access Persons for the purposes of this Code. For the purposes of this code Restricted Directors are not included in the definition of Access Persons and are addressed specifically as defined below.

“**Advisers Act**” means the Investment Advisers Act of 1940, as amended.

“**BDC Senior Officers**” means, collectively, the Principal Executive Officer, the Principal Financial Officer and the Treasurer of the BDC.

“**Beneficial Ownership**” in Securities (as defined below) means direct or indirect pecuniary interest in the Securities held or shared directly or indirectly through any contract, arrangement, understanding, relationship or otherwise.

“**BDC**” means Chicago Atlantic BDC, Inc. the business development company advised by Chicago Atlantic BDC Advisers, LLC.

“**Chicago Atlantic Public Issuers**” means the BDC and the REIT, as defined herein.

“**Chief Compliance Officer**” or “**CCO**” means Andrew Lovitt or such other person as he may designate from time to time, including, to the extent engaged, a regulatory consultant or regulatory filing agent.

“**Client**” means any investment advisory client of the Firm or its affiliates. Which includes, but is not limited to, any Fund, separately managed account, business development company or any other entity to which the Firm provides investment advisory services.

“**Disqualifying Events**” include:

- Certain criminal convictions;
- Certain court injunctions and restraining orders;

Final orders of certain state and federal regulators;  
Certain SEC disciplinary orders;  
Certain SEC cease-and-desist orders;  
SEC stop orders and orders suspending the Regulation A exemption;  
Suspension or expulsion from membership in a self-regulatory organization (“SRO”), or from association with an SRO member;  
and  
U.S Postal Service false representation orders.

“**Firm**” means Chicago Atlantic Advisers, LLC, Chicago Atlantic BDC Advisers, LLC and each affiliated entity under common control, which are engaged in the business of providing investment advisory or management services.

“**Fund**” means any pooled investment vehicle (e.g., a private fund vehicle) or separately managed account to which the Firm provides investment advisory or management services.

“**Holdings Report**” means the report of an Access Person, submitted via ComplySci, comprised of all: (1) holdings in their Reportable Accounts, and (2) holdings of Securities issued in limited offerings and private placements, including interests in Private Funds (“Privately Offered Securities”).

Consistent with the Advisers Act and the 1940 Act, Holdings Reports must contain, at minimum: (i) the title, number of shares and principal amount of each Security in which the Access Person had any beneficial ownership; (ii) the name of any broker, dealer or bank with whom the Access Person maintained an account in which Securities were held for the Access Person or their Immediate Family; and (iii) the date the report is submitted by the Access Person.

“**Initial Public Offering**” or “**IPO**” means an offering of Securities registered under the Securities Act (as defined below), the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act (as defined below).

“**Managing Partners**” means, collectively **David Kite** and **Peter Sack**.

“**Non-Discretionary Managed Account**” means an account for which the Access Person has designated investment discretion entirely to a third party. In such an account, the Access Person cannot exercise any investment discretion in the purchase or sale of Securities.

“**Political Action Committee**” or “**PAC**” means an organization that raises money privately to influence elections or legislation. Contribution to a PAC may not be prohibited, but in all instances, Supervised Persons must obtain prior approval of such Political Contributions to PACs from the CCO. Any questions regarding whether a contribution to an organization requires pre-clearance under this policy should be directed to the CCO.

“**Political Contribution**” means a contribution to any candidate or official for federal, state, or local public office. Specifically, a Political Contribution is any gift, subscription, loan, advance, deposit of money, or thing of value made for the purpose of supporting a candidate for or influencing an election to office. This includes, for example, repaying a candidate’s campaign debt incurred in connection with any such election or paying the transition or inaugural expenses of the successful candidate for any such election. “Political Contribution” also includes “in-kind” and monetary contributions to a candidate or official, as well as indirect contributions (e.g., contributions made at the behest of a Supervised Person through a family member or friend). This term includes contributions made to a Political Action Committee (as defined below).

**“Political Fundraising”** means to fundraise and/or communicate, directly or indirectly, for the purpose of obtaining or arranging a Political Contribution or otherwise facilitating the Political Contributions made by other parties.

**“Privately Offered Security”** means holdings of Securities issued in limited offerings and Private Placements, including interests in Private Funds and passive ownership interests in private entities.

**“Private Placement”** means an offering of Securities that is exempt from registration under the Securities Act, pursuant to Section 4(2) or Section 4(6) or pursuant to Rules 504, 505 or 506 of Regulation D.

**“Reportable Accounts”** means accounts capable of transacting in Securities that are beneficially owned or controlled by the Supervised Person and members of their household.

Reportable Accounts include: (i) any investment or trading account over which an Access Person exercises investment discretion; (ii) trusts for which an Access Person acts as trustee, executor, Fund custodian or discretionary manager; (iii) accounts for the benefit of the Access Person, or the Access Person’s spouse or minor child; (iv) accounts for the benefit of a relative living with the Access Person; and (v) accounts for the benefit of any person to whom the Access Person provides material financial support.

Please note that Reportable Accounts do not include those accounts in which only open-end mutual funds (e.g., 529s and certain 401k accounts) or cryptocurrencies can be traded and held. Given the nature of the Securities in such accounts, neither their disclosure nor pre-clearance for transactions and submission of reporting are required.

**“Reportable Securities”** means any interest or instrument commonly known as a “security”; however, does **not** include the following: U.S. federal government securities and direct obligations; bankers’ acceptances, bank certificates of deposit, commercial paper and high quality short- term debt instruments, including repurchase agreements; shares of money market funds; shares of registered open-end investment companies (i.e., mutual funds); interests in Section 529 plans; and units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.

Please note, Reportable Securities **do** include, among other securities, the following securities: bank debt, trade claims or other debt instruments for which a secondary market exists; forward or futures contracts, options or other derivatives (unless the price or value of the contract is determined exclusively by reference to a broad-based index or average or to Exempt securities); exchange-traded funds (“ETFs”) - open-end investment companies or unit investment trusts (UITs) listed on a stock exchange which track an index but trade similarly to stock; and closed-end mutual funds - mutual funds that do not continuously issue shares, but sell a fixed number of shares at a particular time.

**“Restricted Director”** means each director of the BDC who is not also a director, officer, partner, employee or controlling person of any one or more of the BDC’s investment adviser, Chicago Atlantic Advisers, LLC or the BDC’s administrator, custodian, transfer agent, or underwriter.

**“REIT”** means Chicago Atlantic Real Estate Finance, Inc., the real estate investment trust managed by the Firm.

**“SEC”** means the United States Securities and Exchange Commission.

**“Security”** or **“Securities”** mean any, or a combination of any, note, stock, ETF, mutual fund, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share,

investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, any put, call, straddle, option or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof) or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency or, in general, any interest or instrument commonly known as a “security” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guaranty of or warrant or right to subscribe to or purchase any of the foregoing. Please note that with respect to digital assets, all Initial Coin Offerings (i.e., the first sale of a cryptocurrency to the public conducted for the purpose of raising funds) are deemed Securities.

“**Principal Executive Officer**” means **Peter Sack**.

“**Principal Financial Officer**” means **Thomas Geoffroy**.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Securities Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Self-Regulatory Organization (SRO)**” is any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade (“CBOT”), the Chicago Options Exchange (“CBOE”), the Financial Industry Regulatory Association (“FINRA”) and the New York Stock Exchange (“NYSE”) are self-regulatory organizations.

“**Solicitation Activity**” means coordinating, or soliciting any person or PAC to make, any (i) Political Contributions; or (ii) payments to a political party of a state or locality where the Firm is providing or seeking to provide investment advisory services to a government entity.

“**Supervised Person**” means any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of the Firm or other person who provides investment advice on behalf of the Firm and is subject to the supervision and control of the Firm. All Supervised Persons of the Firm are considered Access Persons.

“**Transaction Report**” means an Access Person’s report of all voluntary transactions in Reportable Securities effected in their Reportable Accounts.

Consistent with the Advisers Act and the 1940 Act, Transaction Reports must contain, at minimum: (i) the date of the transaction, title, the ticker symbol, CUSIP, interest rate and maturity date, number of shares, and the principal amount of each Security (as applicable); (ii) the nature of the transaction (i.e., purchase, sale or any other type); (iii) the price of the Security at which the transaction was effected; (iv) the name of the broker, dealer or bank with or through whom the transaction was effected; and (v) the date the Access Person submits the Transaction Report.

Other capitalized terms used herein may be defined elsewhere in the Code or have the meaning given such term under applicable law.

## CHAPTER 1: GENERAL

### A. Statement of General Principles

Pursuant to Section 206 of the Advisers Act and Rule 17j-1 of the 1940 Act, this Code is predicated on the principle that the Firm owes a fiduciary duty to any entity to which the Firm provides investment advisory or management services, its Clients. The interests of the Clients must always be recognized, respected and take precedence over the personal interest of Access Persons. In any decision relating to personal investments or other matters, Access Persons must assiduously avoid serving their own personal interests ahead of any Client's interests, taking inappropriate advantage of their position with the Firm, or taking inappropriate advantage on the Firm's behalf.

Pursuant to Rule 17j-1 of the 1940 Act it is unlawful for any Access Person to:

- employ any device, scheme or artifice to defraud the Clients;
- make any untrue statement of a material fact to the Clients or fail to state a material fact necessary in order to make the statements made to the Clients, 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 Clients;
- or
- engage in any manipulative practice with respect to the Client, in connection with the purchase or sale (directly or indirectly) by such Supervised Person of a security "held or to be acquired" by the Clients.

It is critical that Access Persons avoid any situation that might present, or appear to present, any actual or potential conflict of interest with the interests of the Clients, or compromise or appear to compromise, Access Persons' ability to exercise fully their independent best judgment for the benefit of the Clients. Accordingly, all Reportable Account activity, and Supervised Persons' activities generally, must comply fully with both the letter and spirit of this Code and the principles described herein. Moreover, Access Persons are required to comply with all applicable securities laws, rules, and regulations and must report promptly any violations of securities laws, rules or regulations of this Code to the CCO.

Pursuant to Section 48(a) of the 1940 Act, as made applicable to business development companies by Section 65 of the 1940 Act, it is unlawful for any person, directly or indirectly, to cause to be done, any act or thing through or by means of any other person which it would be unlawful for such person to do under the provisions of the 1940 Act or any rule, regulation, or order thereunder.

Furthermore, pursuant to Section 48(b) of the 1940 Act, it is unlawful for any person without just cause to hinder, delay, or obstruct the making, filing, or keeping of any information, document, report, record, or account required to be made, filed, or kept under any provision of the 1940 Act or any rule, regulation, or order thereunder. All Access Persons and Restricted Directors are strictly prohibited from utilizing other persons or structures to cause such violations.

Disciplinary actions for failure to comply with the Code may include, among other actions, cancellation of personal trading transactions, disgorgement of profits from such transactions, suspension of personal trading privileges, suspension of employment, or termination of employment. The CCO will determine, in consultation with the Managing Partners of the Firm, what disciplinary and remedial action is warranted, taking into consideration the relevant facts and circumstances, including the severity of the violation, possible harm to the Funds and their investors, and whether the Access Person has previously engaged in any improper conduct. Ultimately, however, the decision whether to impose disciplinary action

or remedial measures and sanctions, and the nature of such disciplinary actions or remedial measures and sanctions, rests with the CCO.

## **B. Initial and Ongoing Acknowledgment**

The Code is an integral part of the Firm's compliance program. The Code may be revised, amended, restated, supplemented or otherwise modified from time to time.

Each Supervised Person promptly upon hire is required to sign an initial acknowledgement as part of their onboarding in ComplySci, acknowledging that they have received a copy of the Code and certifying that they have read and understand the Code and agree to abide by its provisions. Thereafter, each Supervised Person reaffirms quarterly (or as otherwise needed to acknowledge updates to the Code), among other things, that they continue to abide by the Code's provisions and that he or she has reported all Reportable Securities transactions.

## **C. Training**

On at least an annual basis the CCO will arrange training covering certain topics in this Code. Further, new Supervised Persons will receive training. Such training will discuss certain topics in the Code and Manual but is not meant to be a replacement for reading the Code and Manual.

## **D. Access Persons not under the Supervision of the Firm**

In certain instances, individuals who have only a tangential association with the Firm may become Access Persons. For example, Restricted Directors are considered Access Persons of the BDC in a limited fashion and are subject to separate reporting requirements.

Certain service providers of the BDC may, at times, be considered Access Persons. In such instances, rather than subjecting such individual to this Code's reporting requirements the CCO can decide to accept assurance that such individual is subject to a Code of Ethics or substantially similar document governing such individuals conduct. The Firm anticipates that this has the potential to occur only with respect to a third-party administrator, underwriter or other similar service provider of the BDC. In such instance the CCO will receive an acknowledgement that the individual is subject to a Code of Ethics or the agreement with such service provider will evidence such an undertaking.

## **E. Confidential and Proprietary Information of the Firm**

Any information that an Access Person obtains regarding advice furnished by the Firm to Clients or investors; non-public data furnished to the Firm by any Client or investor or any other person; or the analyses and other proprietary data or information of the Firm (e.g., the Firm's investments, the amount of assets under management, performance information and information with respect to existing and potential Funds and investors) is strictly confidential.

Except to the extent necessary for the performance of an Access Person's duties, an Access Person may not disclose to any person not employed by the Firm any confidential information of, or relating to, the Firm or any Clients or investors, potential Clients or investors, Managing Partners, managers, members, directors, principals, officers, Supervised Persons, agents or consultants of the Firm obtained or observed by an Access Person during their employment or thereafter. This includes, without limitation, any information

related to the strategy, investment process, investments, performance or work product of the Firm.

#### **F. Reporting Violations of the Code of Ethics**

All Access Persons must promptly report any violations of the Code to the CCO. Any violations reported to, or independently discovered by, the CCO shall be promptly reviewed and investigated.

All reported Code violations will be treated as being made on an anonymous basis. Any retaliation for reporting a violation of the Code will constitute a further violation of the Code, as well as a possible violation of the anti-retaliation provisions of the SEC's Whistleblower Rule, Section 21F of the Securities Exchange Act.

#### **G. Review**

The CCO and the BDC Board shall review this Code of Ethics on at least an annual basis.

#### **H. Whistleblower Policy**

Pursuant to the Whistleblower Rule, as detailed in Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Firm's Access Persons have the opportunity to report any concerns or suspicions of improper activity at the Firm by a fellow Access Person or other party confidentially and without retaliation. The Firm will take seriously any report regarding a potential violation of Firm policy or other improper or illegal activity. The Firm recognizes the importance of keeping the identity of the reporting person from being widely known. Access Persons must be assured that the Firm will appropriately manage all such reported concerns or suspicions of improper activity in a timely and professional manner, confidentially, and without retaliation.

##### **1. Responsibility of the Whistleblower**

Access Persons must act in good faith in reporting a complaint or concern under this policy and must have reasonable grounds for believing a breach of compliance policies and procedures. A malicious allegation made by an Access Person known to be false is considered a serious offense and will be subject to disciplinary action which may include termination of such individual's employment.

##### **2. Handling of the Reported Improper Activity**

An Access Person of the Firm should promptly report suspected improper activity to the CCO to enable the matter to be investigated. If the suspected improper activity involves the CCO, the Access Person should promptly report such activity to the Managing Partners.

##### **3. No Retaliation Policy**

It is the Firm's policy that no Access Person who submits a complaint made in good faith will experience retaliation, harassment, or unfavorable or adverse employment consequences. An Access Person who retaliates against a person reporting a complaint will be subject to disciplinary action, which may include termination of such Access Person's employment. An Access Person who believes they have been subject to retaliation or reprisal as a result of reporting a concern or making a complaint is to promptly report such action to the CCO.

## CHAPTER 2: SUPERVISED PERSONS' CONDUCT

### A. Conflicts of Interest

All Supervised Persons who identify a situation or circumstance that may give rise to a conflict of interest should promptly report it to the CCO. It is the policy of the Firm that all Supervised Persons conduct the business affairs of the Firm in accordance with the highest principles of business ethics and to endeavor that all conflicts of interest, actual or potential, that arise from their conduct be resolved in favor of the Clients, mitigated and/or disclosed, as applicable. To this end, the Code imposes obligations on Supervised Persons regarding the following types of conduct.

### B. Outside Business Activities

Business activities other than employment at the Firm may present conflicts of interest. Such instances may include, but are not limited to: (i) serving as an officer, director, trustee or partner of any business organization; (ii) participating as a member of a limited liability company or a limited partner of a limited partnership<sup>1</sup>; or (iii) serving as a supervised person or consultant, a teacher or lecturer, a publisher of articles or a radio or television guest. Accordingly, each Supervised Person must disclose upon hire all outside business activities to the CCO, and prior to engaging in any new outside business activity, must seek approval from the CCO by submitting an approval in ComplySci.

The CCO will determine whether to approve an outside activity based on a consideration of the nature of the outside activity, the number of hours involved, the amount of compensation, and any other factors that they may find relevant.<sup>2</sup>

Unless prior approval is granted by the CCO, the Firm generally does not permit Supervised Persons to serve as officers, partners or employees of another company or business or as members of the board of directors or trustees of any business organization, other than a civic or charitable organization.<sup>3</sup> These types of positions present conflicts of interest and a determination of a Supervised Person's eligibility to serve in such a position necessarily involves an assessment of whether such service would be consistent with the interests of the Firm or compromise the Supervised Person's fiduciary duty to the Clients.

Under no circumstances may a Supervised Person represent or suggest that their association with any outside business activity in any way reflects the approval by the Firm of that organization, such organization's securities, its manner of doing business or any person connected with such organization or its activities.

### C. Gifts and Entertainment

In light of the nature of the Firm's business, its fiduciary obligations to the Clients, as well as the regulatory environment in which the Firm conducts its business, the Firm has adopted this Gifts and Entertainment policy to impose limits on, and monitor the nature and quantity of, "business-related" gifts, gratuities and entertainment. "Business-related" gifts, gratuities and entertainment are those that the Firm's Supervised Persons give to, or receive from, a person or firm that: (i) conducts business with or provides services to the Firm; (ii) may do business or is being solicited to do business with the Firm; or (iii) is associated with an organization that conducts or seeks to conduct business with the Firm. In addition, Supervised Persons may not be compensated, directly or indirectly, except by the Firm or when otherwise

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<sup>1</sup> This disclosure requirement excludes participation in any entity that exists solely for the purpose of wealth transfer

<sup>2</sup> The CCO must submit all pre-approval requests required by this Code on their own behalf to a Managing Partner.

<sup>3</sup> Serving as an officer or on the board of directors for a Client's underlying portfolio company will not be deemed as an outside business activity.

approved by the Firm (including approval by the CCO or others, as provided elsewhere in this Code).

This policy is not intended to prevent Supervised Persons from giving or receiving gifts, gratuities, or entertainment, provided that such gifts and entertainment are not extravagant, costly, lavish, or excessive. The policy is intended to ensure that the practice of giving and accepting gifts, gratuities, or entertainment is not abused and does not compromise the integrity, objectivity, or fiduciary responsibilities of the Firm or its Supervised Persons, create an appearance of impropriety or raise potential conflicts of interest. For the purposes of this policy, value is the higher of cost or fair market value. Gifts and entertainment among Supervised Persons are not subject to the guidelines set forth below.

If there is any question as to the scope or application of this policy, Supervised Persons should consult with the CCO.

## **1. Required Gift and Entertainment Approvals**

### **a. Offering and Accepting Gifts**

A “gift” refers to any object or thing of value provided for the recipient’s personal use or enjoyment. If, for example, the giver of tickets for an event does not intend in advance to be present at such event, then the tickets will be deemed a gift. Each Supervised Person may offer or accept business-related gifts of up to \$250 in value per individual Gift to or from any third party with whom the Firm conducts business, or could reasonably expect to conduct business, without the prior approval of the CCO. For individual gifts that exceed this threshold, Supervised Persons must submit a preapproval request, via ComplySci, to the CCO upon receipt of or prior to offering such gift. Supervised Persons should also seek preapproval if there are multiple gifts to or from the same third party within a calendar year exceeding \$500.

### **b. Offering and Accepting Entertainment**

“Entertainment” refers to meals, sporting events or other entertainment events where the giver intends to participate in or attend the event with the recipient (e.g., accompanying the recipient of baseball tickets to the game). If the giver intends to participate in the event, then such an event will be deemed entertainment. Each Supervised Person may offer or accept business-related entertainment of up to \$1,000 per person in value to or from any third party with whom the Firm conducts business, or could reasonably expect to conduct business, without the prior approval of the CCO, provided that the Supervised Person and the business associate both attend and that such entertainment is not so frequent, costly, lavish, or excessive as to raise questions of impropriety. For entertainment that exceeds this threshold, Supervised Persons must submit a preapproval request in ComplySci to the CCO upon receipt of or prior to offering such entertainment. Each Supervised Person is expected to use professional judgment in entertaining and being entertained by a business associate. If there is any question as to whether a specific entertainment event can be accepted or given, the CCO should be consulted.

**Please note that meals in the ordinary course of business do not need to be pre-approved by the CCO as long as such meals are not extravagant or lavish.**

Supervised Persons may attend seminars sponsored or paid for by any third party with whom the Firm conducts business, or could reasonably be expected to conduct business, provided that attendance at the seminar is not so costly or the event so lavish as to raise conflict of interest issues. If there is any question as to whether such an event may raise conflict of interest issues, the CCO should be consulted.

## **2. Prohibited Conduct**

No gift or entertainment should ever be accepted with the expectation of any quid pro quo from the Firm or any Supervised Person. Supervised Persons are prohibited from giving or accepting any gift of cash, prepaid gift cards, cash-equivalent items, or any personal-benefit discounts that are not available to the public. Any

such items offered must be promptly and tactfully refused.

**a. Foreign Corrupt Practices Act**

The Foreign Corrupt Practices Act (“FCPA”) prohibits, under threat of imprisonment, any officer, agent or Supervised Person of the Firm from directly or indirectly paying or giving, offering or promising to pay, giving or authorizing or approving such offer or payment, of any funds, gifts, services or anything else of any value, no matter how small or seemingly insignificant (i) to any foreign official or other person specified below, for the purpose of obtaining business, favorable treatment or other commercial benefits, whether by (a) influencing any act or decision of the Covered Person in their official capacity, (b) inducing the Covered Person to do or not do any act in violation of their lawful duty; or (c) inducing the Covered Person to use their influence to that end with a foreign government or instrumentality; or (ii) with any other agent, intermediary (including, for example, a Covered Person’s friend, relative, business or law firm) or other person while knowing that all or a portion thereof will directly or indirectly be forwarded to a Covered Person for such purpose. (Note: Not actually “knowing” or willfully avoiding or disregarding all facts, hints or clues is not a defense to liability under the FCPA.)

A “Covered Person” for this purpose is any foreign official including, without limitation, any officer or employee of any foreign government or any governmental department, agency or instrumentality (e.g., a central bank) or any government-owned or controlled enterprise (e.g., sovereign wealth fund) or any person acting in an official capacity for or on behalf of any such government, department, agency, instrumentality or enterprise). The term also includes any foreign political party, party official or candidate for political office. Foreign, for this purpose, means outside of the United States.

Exemptions to the broad prohibitions set forth above are very precise and must be discussed with the CCO before they can be invoked. No Supervised Person is to discuss or consider any activity outlined above without the prior approval of the CCO.

Any activity that would potentially violate the FCPA (including giving or receiving any gifts or entertainment to or from Covered Persons) must be presented to the CCO to conduct an analysis and to receive final approval.

**b. UK Bribery Act**

The United Kingdom’s Bribery Act 2010 (the “UK Bribery Act”) has four primary offenses:

1. the offense of offering, promising or giving a financial or other advantage;
2. the offense of requesting, agreeing to receive or accepting a financial or other advantage;
3. the offense of bribery of a foreign public official, which has a similar meaning to a government official (as such term is defined under the UK Bribery Act); and
4. the failure by a commercial organization to prevent a bribe being paid by a person performing services for or on behalf of the organization to obtain or retain business or an advantage in the conduct of business for the organization. However, there is a defense to this offense if the organization has adequate procedures in place designed to prevent bribery.

The geographic scope of the UK Bribery Act is broad and the fourth offense (i.e., the failure of a commercial organization to prevent bribery) has the potential to be applied to the Firm. An entity that is found to have violated this latter offense could be subject to an unlimited fine.

Unlike the FCPA, the UK Bribery Act also applies to bribery in the private sector and creates liability for commercial organizations when a person who performs services for or on behalf of the organization

bribes another person with the intention of obtaining or retaining business or an advantage in the conduct of business for the organization. Accordingly, Supervised Persons are required, with support from the CCO, as necessary, to subject all persons who perform services for or on behalf of the Firm to adequate due diligence and to inform them of the Firm's zero-tolerance approach to bribery and corruption.

For the avoidance of doubt, it is not acceptable for Supervised Persons (or anyone else who performs services for or on behalf of the Firm) to:

Give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that this will influence the decision-making of the recipient or that a business advantage will be received or to reward a business advantage already given;

Give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure; or

Accept payment or any other advantage from a third party where it is known or suspected that the advantage is offered with the expectation that the Firm's decision-making will be influenced in any way and that it will obtain a business advantage for the offeror.

#### **D. Political Contributions**

Rule 206(4)-5 under the Advisers Act (the "**Pay-to-Play Rule**") addresses practices commonly known as "pay-to-play", where an investment adviser or its Supervised Persons directly or indirectly make contributions or other payments to certain U.S. public officials with the intent of generating investment advisory business. Violations of the Pay-to-Play Rule can have serious implications on the Firm's ability to manage such capital. Specifically, the Firm can be precluded from managing money for a U.S. state or local government entity or may need to return fees received or waive fees to be received from such government entity for up to two years.

The Political Contributions Policy is designed to ensure that Political Contributions by Supervised Persons do not violate the Pay-to-Play Rule in addition to other state or local laws, which generally limit the amount of Political Contributions that advisers and their Supervised Persons may make to state and local government officials, candidates and political parties. Per the Pay-to-Play Rule, a Supervised Person may contribute up to \$150 to a candidate for whom they are not eligible to vote and \$350 for whom they are eligible to vote per election cycle.

The Political Contributions Policy places certain restrictions and obligations on Supervised Persons in connection with their Political Contributions and Solicitation Activities. The policy prohibits any direct or indirect Political Contributions to any officials or candidates in the United States that are intended to or may appear to influence the investment decisions (e.g., the awarding of investment management contracts) of those entities affiliated, directly or indirectly, with those officials. The policy also governs all Political Contributions made in the Firm's name or on the Firm's behalf.

##### **1. Disclosure and Preclearance**

Supervised Persons are required to disclose Political Contributions made by themselves and any family member living in the same household or to whom the Supervised Person provides material financial support, within the past two years at the time of hire and annually thereafter in a questionnaire distributed to the Supervised Person by the Firm.

Generally, the Firm will not approve Political Contributions at the state or local level. Supervised

Persons and any family member living in the same household or to whom the Supervised Person provides material financial support must obtain prior approval from the CCO before making any Political Contribution to or participating in any political Solicitation Activity on behalf of any political candidate, official, party or organization. A Supervised Person may request approval from the CCO by completing and submitting a preapproval request in ComplySci. The CCO will keep a copy of any such approvals and a summary of the rationale for such approvals in Firm records.

## **2. Corporate Contributions**

Supervised Persons may not use personal or corporate funds to make Political Contributions on behalf of or in the name of the Firm. Further, the Firm will not reimburse Political Contributions made by Supervised Persons. All requests for Political Contributions to be made on behalf of or in the name of the Firm should be directed to the CCO.

## **3. Charitable Contributions Distinguished**

Contributions to a charity are not considered Political Contributions unless made through, in the name of, or to a fund controlled by a federal, state or local candidate or official. This policy is not intended to impede legitimate, charitable fund-raising activities. Any questions regarding whether an organization is a charity should be directed to the CCO.

## **4. International Contributions**

Political Contributions by the Firm or Supervised Persons to politically connected individuals or entities, anywhere in the world, with the intention of influencing such individuals or entities for business purposes are strictly prohibited.

## CHAPTER 3: PREVENTION AND DETECTION OF INSIDER TRADING

### A. Overview

The Firm's business may require Access Persons to deal with confidential information. Although unlikely given the Firm's investment strategy, such information could be deemed material non-public information. As such, the Firm recognizes the need to maintain policies and procedures to detect and prevent the misuse of material non-public information. Further, all directors, officers and any Access Persons of the BDC, its investment adviser or its advisory affiliates who have regular access to MNPI are considered "insiders" of the BDC.

The proper handling of material non-public information is critical to the Firm's integrity. The Firm's reputation is a vital asset and even the appearance of the misuse of material non-public information should be avoided. The misuse of non-public information may violate federal and state securities laws and other legal and regulatory requirements. Violations may be damaging to both the reputation and financial position of the Firm and its Access Persons.

The Firm forbids all Access Persons from trading for the Firm, the Clients, oneself or for others, on material non-public information or communicating material non-public information to others in violation of the law. This conduct is frequently called "insider trading." The Firm's policy extends to activities within and outside one's relationship with the Firm. Individuals who cease to work for the Firm must continue to maintain the confidentiality of inside and proprietary information learned during their employment.

Although "insider trading" is not defined in securities laws, it generally describes trading either personally or on behalf of others based on material non-public information or communicating material non-public information to others in violation of the law. All Access Persons and officers and directors of the BDC are subject to the prohibitions of this policy.

In the past, securities laws have been interpreted to prohibit, among other things, the following activities:

Trading by an insider while in possession of material non-public information;

Trading by a non-insider while in possession of material non-public information, where the information was disclosed to the non-insider in violation of an insider's duty (including a duty of a lawyer, banker, accountant, or other confidential adviser to the issuer or company) to keep it confidential; or,

Communicating material non-public information to others in breach of a fiduciary duty.

### B. Insider Trading Policy

#### 1. Whom does the Policy Cover?

This policy covers all of the Firm's Access Persons, as well as any transactions in any Securities participated in by any family member living in the same household as the Access Person or to whom the Access Person provides material financial support. In addition, the policy applies to transactions engaged in by a private company in which the Access Person is an officer, director or 10% or greater stockholder, and a partnership in which the Access Person is a partner unless the Access Person has no direct or indirect control over the company or partnership. If any Access Person has questions about whom this policy covers, such Access Person should consult the CCO.

## 2. What is Material Information?

Information is material when there is a substantial likelihood that a reasonable investor would consider it important in making their investment decisions. Generally, this is information whose disclosure will have a substantial effect on the price of a company's Securities. No simple test exists to determine whether the information is material; assessments of materiality involve highly fact-specific inquiries.

Material information often relates to an issuer or a company's financial results and operations, including, for example, changes to dividend policies, earnings, results, changes in previously released earnings estimates, significant merger or acquisition proposals, agreements, major litigation, liquidity problems, extraordinary management changes, public or private offerings, changes of debt ratings, the development of new products, services or contracts, curtailment of any portion of business operations, as well as information obtained from an issuer or company in advance of a private offering for which the Firm has entered into a confidentiality agreement.

Material information also may relate to the market activity of an issuer or company's Securities. For instance, information about a significant order to purchase or sell Securities may, in some cases, be deemed to be material. Pre-publication information regarding reports to be published in the financial press also may be material. Similarly, advance notice of an investment bank's intent to upgrade, downgrade, or make other commentary regarding an issuer or company would be considered material.

Access Persons should direct any questions regarding the materiality of information to the CCO.

## 3. What is Non-Public Information?

Generally, for issues concerning insider trading to arise, information must not only be material, but also non-public. "Non-Public" information is information that has not been made available to the investing public.

Once non-public information has been effectively distributed to the investing public, it is no longer classified as non-public. However, for the classification to change, the distribution of non-public information must occur through commonly recognized channels of distribution designed to reach the securities marketplace. Such instances include; disclosure in a national business and financial wire service (e.g., the Dow Jones or Reuters); a national news service (e.g., AP or UPI); a national newspaper (e.g., The Wall Street Journal or the New York Times); and a publicly disseminated disclosure document (e.g., a proxy statement or prospectus). The circulation of rumors does not meet the requisite public disclosure, even if the rumors are accurate, widespread, and reported in the media. In addition, the information must not only be publicly disclosed but there must be adequate time for the public to receive and process the information.

Access Persons must be aware that even where there is no expectation of confidentiality, a person may become an insider upon receiving material non-public information. Whether the "tip" made to the Access Person makes them a "tippee" depends on whether the corporate insider expects to benefit personally, either directly or indirectly, from the disclosure.

The "benefit" is not limited to a present or future monetary gain; it could be a reputational benefit or an expectation of a *quid pro quo* from the recipient by a gift of the information. Access Persons may also become insiders or tippees if they obtain material non-public information by happenstance, at social gatherings, by overhearing conversations, etc.

Access Persons should consult the CCO if they have any questions as to whether material information is non-public.

#### **4. Penalties for Trading on Insider Information**

Trading Securities while in possession of material non-public information, or improperly communicating that information to others, may expose the Access Person to stringent penalties. Criminal sanctions may include a fine or imprisonment. The SEC can recover the profits gained or losses avoided through improper trading, impose a penalty of up to three times the illicit windfall, and issue an order permanently barring an Access Person from the securities industry. An Access Person may be sued by investors seeking to recover damages for insider trading violations. The Firm may face regulatory or civil liability based on the Access Person's actions. Finally, the Firm may impose sanctions on the Access Person, up to and including termination.

#### **5. Identifying and Reporting Material Non-Public Information**

The Firm has established the following procedures to help each Access Person avoid insider trading and to aid the Firm in preventing, detecting, and imposing sanctions against insider trading. Each Access Person must follow these procedures or risk serious sanctions, including dismissal, substantial personal liability, and criminal penalties. From this point, the Access Person, the CCO and certain of the Firm's Access Persons will conduct research to determine if the information is likely to be considered important to investors in making investment decisions and whether the information has been publicly disseminated.

**It is the responsibility of each Access Person to notify the CCO immediately if they have come into possession of material non-public information. If an Access Person has questions whether they are in possession of material non-public information, the Access Person should consult with the CCO.**

Given the severe penalties imposed on individuals and firms engaging in insider trading, a Access Person:

Shall not trade or engage in any investment activity relating to the Securities of any company in which he or she is deemed an insider who may possess material non-public information about the company;

May be required to submit personal Security trading reports in accordance with the Firm's personal trading policy; and

Shall not discuss any potentially material non-public information with colleagues, except as specifically required by their position.

All Access Persons, whether investment professionals or non-investment professionals, will be regarded as having access to any non-public information about a public company that has been received by any other Access Person. Access Persons should direct any questions regarding these procedures to the CCO.

#### **6. Contact with Public Companies**

The Firm may come into contact with public companies and in the course of such contact, an Access Person may become aware of material non-public information. This could happen, for example, if a public company, with which the Firm has contact, prematurely discloses quarterly results. If this information is then communicated to the Firm prior to it becoming public information, the Firm must make a judgment

as to its further conduct. For an Access Person to protect themselves, the Firm, and the Clients, the Access Person must contact the CCO immediately if they believe that they may have received material non-public information in any form.

Further, to the extent any of the investors in the Clients are directors, officers or employees of a public company, the Access Persons in contact with such investors should avoid receiving any MNPI concerning such companies and if they do receive MNPI regarding such companies should report such receipt to the CCO and follow the procedures contained herein.

#### **7. Restricting Access to Material Non-Public Information**

Access Persons in possession of material non-public information, however obtained, may not communicate such information to anyone, including persons within the Firm, except to the CCO or in the ordinary course of business of the Firm to Access Persons, legal counsel, consultants, financing sources, accountants, other advisors, or others engaged in the Firm's business. The Firm has this policy in place to help avoid conflicts and appearances of impropriety and the unlawful use of material non-public information. In addition, care should be taken that all material non-public information is secure.

The CCO will confirm that any of the Client Service providers who have regular access to MNPI have policies and procedures to prevent insider trading or are otherwise bound by legal duty not to disclose or misuse MNPI.

#### **C. Rumors and Manipulative Trading Practices**

Access Persons are prohibited from circulating false rumors and rumors of a sensational character that reasonably may be expected to affect market conditions for one or more Securities, sectors or markets or improperly influencing any person or entity. Intentionally creating, passing or using rumors may violate the antifraud provisions of federal securities laws. Such conduct is contradictory to the Firm's expectations regarding appropriate behavior of its Access Persons.

Access Persons are prohibited from engaging in actual or apparent trading in a Security for the purpose of: (a) inducing the purchase or sale of such Security by others; or (b) causing the price of a Security to move up or down. The Securities Exchange Act of 1934, as amended, does not prohibit otherwise lawful activity that has the incidental result of changing the supply or demand or the intrinsic value of a Security.

Access Persons should consult with the CCO if they have any questions regarding the appropriateness of any communications.

## CHAPTER 4: PERSONAL TRADING POLICIES AND PROCEDURES

Rule 204A-1 under the Advisers Act requires the Firm's Code to impose certain restrictions on the personal securities trading of Access Persons and any immediate family member living in the same household or to whom the Supervised Person provides material financial support. Such restrictions include obtaining pre-approval for certain trades or private transactions and reporting certain trading activities and Securities holdings.

Pursuant to the Rule, the following Personal Trading Policy is designed to prevent potential legal, business, or ethical conflicts and to minimize the risk of unlawful trading in any Personal Trading Account and guard against the misuse of confidential information. All personal trading and other activities of Access Persons and any family member living in the same household or to whom the Access Person provides material financial support, must avoid any conflict or perceived conflict with the interests of the Firm, the Clients, and the investors in the Clients. The following Personal Trading Policy is also designed to comply with Rule 17j-1 under the 1940 Act. Therefore, the Firm's Code also imposes certain restrictions on Restricted Directors. For the avoidance of doubt, Restricted Directors are *only* subject to the restrictions set forth below in Section G. Restrictions on Transactions of Restricted Directors.

**Supervised Persons are expected to devote their time during the business day to the business of the Firm. The Firm discourages and monitors for excessive personal trading that would distract Supervised Persons from their daily work responsibilities.**

### A. Reportable Accounts

Access Persons are required to report all their Reportable Accounts to the CCO upon hire, and on an ongoing basis thereafter, in ComplySci. Additionally, Access Persons are required to report new Reportable Accounts via ComplySci at, or before, the time they are opened. Upon closing a Reportable Account, Access Persons are required to report to the CCO accordingly via ComplySci. Such disclosure of Reportable Accounts must include, at minimum: (i) the name of the broker, dealer or bank with whom the Access Person established the account; (ii) the date the account was established; (iii) the date the account was disclosed by the access person; (iv) provision of duplicate confirmations and statements to the CCO. All these requirements can be satisfied by disclosing Reportable accounts in ComplySci and assisting the CCO in establishing a broker feed of such accounts. In any instance where a broker feed is unavailable an Access Person is required to furnish duplicate statements to the CCO or upload such statements in ComplySci.

#### 1. Non-Discretionary Managed Accounts

Non-Discretionary Managed Accounts, once exempted, are not subject to the following reporting and preclearance requirements of this Code. To exempt a Non-Discretionary Managed Account, an Access Person must submit to the CCO a letter from the adviser to, or manager of, the account, describing the authorities held on the account. The CCO will notify Access Persons in writing of their disposition

### B. Personal Trade Reporting

In order to provide the Firm with information to enable it to determine with reasonable assurance any indications or the appearance of a conflict of interest with the investment activity of the Clients, each Access Person must submit the following reports to the CCO.<sup>4</sup>

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<sup>4</sup> The CCO must submit any pre-approval requests on their own behalf to a designee.

Access Persons should note that their required reporting (and the required particulars thereof) may be satisfied by the provision of brokerage statements for Reportable Accounts and/or by arranging for brokers to feed transaction and holding data for Reportable Accounts into ComplySci.

### **1. Holdings Reports (Initial and Annual)**

Access Persons are required to submit, via ComplySci, periodic Holdings Reports. The first such report, an initial Holdings Report, is due within ten (10) calendar days of a Access Person's hire and must be current as of no more than forty-five (45) days prior to the date that the person becomes an Access Person of the Firm. Thereafter, within forty-five (45) calendar days of each fiscal year end, or at such earlier time as the CCO may determine, Supervised Persons are required to submit an annual Holdings Report. Reporting shall be satisfied via ComplySci.

### **2. Transaction Reports (Quarterly)**

Access Persons are also required to submit, via ComplySci, quarterly Transaction Reports. Quarterly Transaction Reports are due within thirty (30) calendar days of each fiscal quarter end, or at such earlier time as the CCO may determine. Such reporting shall be satisfied through ComplySci, in the event that an account does not feed into ComplySci an Access Person must provide duplicate confirmations and statements to the CCO.

### **3. Review and Remediation**

Each quarter, or more frequently as may be prudent, the CCO reviews the reports of all Access Persons. The CCO will closely monitor the investment activity of Access Persons to detect any abuses. The Firm takes the potential for conflicts of interest caused by personal trading very seriously. The Firm reserves the right to disallow purchases or sales of a Security by a Access Person for any reason it deems appropriate. The Firm reserves the right to impose various sanctions on Access Persons that violate the Code's Personal Trading Policies and Procedures. Such remedial action may include restrictions on future personal trading by the Access Person, monetary fines, disgorgement of profits, reprimand or termination.

Further, the CCO will report to the BDC Board, on at least a quarterly basis, any transaction that appears to evidence a material violation of this Code of Ethics or a material violation of this Code's reporting requirements.

### **C. Personal Trade Preclearance**

Access Persons must receive prior approval, or preclearance, via ComplySci, for certain transactions in securities in their Reportable Accounts. When submitting approval requests, Access Persons are required to certify that they do not possess material non-public information concerning and have not identified any conflict of interest related to, the requested transaction.

Preclearance for transactions is valid for three (3) business days following approval. If an approved transaction is not executed within this timeframe, a new preclearance request must be submitted to the CCO prior to executing or continuing the transaction.

All notifications of approval or denial of preclearance are confidential and Access Persons are prohibited from disclosing such approvals or denials to other Supervised Persons.

#### **D. Securities that Require Preclearance**

Access Persons must obtain pre-clearance from the CCO before completing a transaction involving any interest in:

1. Any Security of a company in the commercial lending or cannabis industries;
2. Any Security of a company in a Fund's portfolio;
3. Privately Offered Securities
4. Initial Public Offering, or IPO; and
5. Any investment in the Chicago Atlantic Public Issuers, the BDC and the REIT, which are subject to black-out periods in which trading in accordance with subsection G, below.

#### **E. Securities Exempt from Preclearance**

The preclearance requirements of the Code do not apply to:

1. Purchases or sales in any Non-Discretionary Managed Account;
2. Purchases that are part of any broker-assisted dividend reinvestment plan;
3. Direct investment program(s);
4. Purchases effected upon the exercise of rights issued by an issuer or company pro-rata to all holders of a class of Securities to the extent such rights were acquired from such issuer or company or the sale of such rights;
5. Purchases or sales of mutual funds and ETFs; or
6. Any other Security not noted in Section D above.

For the avoidance of doubt, no Access Person may trade in any Security as long as they are in possession of MNPI. The preclearance requirements discussed herein do not work to absolve an individual or entity of liability for trading on the basis of MNPI.

#### **F. Restricted Issuer List**

The Firm's Restricted Issuer List consists of: (i) issuers or companies with respect to which the CCO has been made aware that an Access Person has received, expects to receive or may be in a position to receive material non-public information; (ii) issuers or companies on whose board of directors or similar body an Access Person serves (notwithstanding an "open window" period, during which such issuers or companies are not restricted); (iii) private entities with which the Firm has entered into a confidentiality agreement when information under such agreement may include material non-public information of a public issuer or company; (iv) companies for which any Access Person has received material non-public information when evaluating hedging strategies or private positions; and (v) other companies that the Firm, Access Persons or the Clients should not be trading or in which such investments should not be made for various reasons, as may be determined from time to time by the CCO or management of the Firm.

Any time an Access Person receives material non-public information about a company that has issued publicly traded Securities, the Access Person is obligated to notify the CCO so that subject company(ies) will be added to the Firm's Restricted List. Access Persons are responsible for contacting the CCO any time that they receive or intend to receive any non-public information about a company with publicly traded Securities. They are also responsible for notifying the CCO of any other circumstances in which a company should be added to the Restricted List. The CCO is responsible for maintaining the Firm's Restricted List.

## **1. Overview**

Absent an exception granted by the CCO, Access Persons and any immediate family member living in the same household or to whom the Access Person provides material financial support, are prohibited from trading or otherwise investing in the Securities of issuers or companies that are on the Firm's Restricted List in Access Persons' Personal Trading Accounts or on behalf of a Fund's account until such Security is removed from the Restricted List.

The CCO makes the Restricted List is available to all Access Persons. Access Persons are required to consult the Restricted List as needed to comply with this policy.

The Restricted List is confidential and may not be disclosed to anyone outside the Firm as it may contain, or may itself be, material non-public information. It is therefore vital that Access Persons do not disclose the contents of the Restricted List to anyone outside of the Firm or to Supervised Persons who do not have a legitimate need to know, without the prior consent of the CCO.

## **2. Contents**

The CCO maintains the following on the Restricted List: the date an issuer was added, the date an issuer was removed; the name of the issuer; and the exchange ticker symbol or CUSIP of the issuer's common equity, or other publicly listed issue.

## **3. Review**

The CCO periodically reviews the Restricted List to determine whether any Access Persons remain in possession of non-public information. Specifically, the CCO, during their review, will update the Restricted List to add or remove issuers depending on the possession of material nonpublic information or in other circumstances, as the CCO deems appropriate.

If an issuer or company is on the Restricted list because the Firm has entered into a confidentiality agreement with respect to such issuer or company, the issuer or company may be removed from the Restricted List upon (i) the expiration or termination of the confidentiality agreement; (ii) the announcement of the transaction with respect to which the confidentiality agreement was signed; or (iii) the company's determination not to pursue the transaction with respect to which the confidentiality agreement was signed, provided that the CCO reasonably concludes that, at such time, the Firm is not in possession of material non-public information regarding the issuer or company. The CCO documents the reasons an issuer or company has been removed from the Restricted List.

The CCO may consider the opinion of the Firm's investment professionals or outside legal counsel or compliance consultants in deciding whether an issuer or company should be added or removed from the Restricted List.

## **G. Black-Out Periods for Affiliated Public Companies**

Consistent with the Firms Compliance Manual, all Access Persons are restricted from purchasing shares of the Chicago Atlantic Public Issuers, the BDC (Nasdaq: LIEN) or REIT (Nasdaq: REFI) from within fifteen (15) calendar days of scheduled public release of their financial results or 10-Q/10-K filing until two (2) business days thereafter.

From time to time, the CCO may institute additional black-out periods for trading in affiliated entity shares.

For the avoidance of doubt, consistent with prior sections, all trades in Firm affiliated investment companies must be precleared and any Access Person or Restricted Director transacting in such securities must affirm that they are not in possession of, and must factually not be in possession of, MNPI regarding such securities.

Further, the prohibition on trading on the basis of MNPI survives any association with the Firm, any of its affiliates or service providers.

The CCO will report any violations of the policies regarding trading BDC stock to the BDC Board.

#### **H. Restrictions on Transactions of Restricted Directors**

The Firm and the BDC recognize that a Restricted Director does not have ongoing, day-to-day involvement with the operations of the BDC. In addition, it has been the practice of the BDC to give information about securities purchased or sold by the BDC or considered for purchase or sale by the BDC to Restricted Directors in materials circulated more than fifteen (15) days after such securities are purchased or sold by the BDC or are considered for purchase or sale by the BDC, except in circumstances requiring the approval of such Restricted Directors under the co-investment order received by the BDC from the SEC. Accordingly, the Firm and the BDC believe that less stringent controls are appropriate for Restricted Directors. Such controls are as follows:

- a. The securities pre-clearance requirements regarding Access Persons detailed above shall only apply to a Restricted Director if they knew or, in the ordinary course of fulfilling their official duties as a director, should have known, that during the 15-day period before the transaction in a Security (other than an Exempt Security) or at the time of the transaction that the Security purchased or sold by them other than an Exempt Security was also purchased or sold by the BDC or considered for the purchase or sale by the BDC.
- 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 Security (1) on a day when any portfolio of the BDC has a pending "buy" or "sell" order in that same Security until that order is executed or withdrawn or (2) when the CCO has been advised that the same Security is being considered for purchase or sale for any portfolio of the BDC.

## **CHAPTER 5: SARBANES-OXLEY CODE OF ETHICS FOR CHIEF EXECUTIVE AND SENIOR FINANCIAL OFFICERS OF THE BDC**

The Firm and the BDC are committed to conducting business in accordance with applicable laws, rules and regulations and the highest standards of business ethics, and to fully and accurately disclose financial information in compliance with applicable law. This Sarbanes-Oxley Code of Ethics, applicable to the BDC Senior Officers, sets forth specific policies to guide such individuals in the performance of their duties.

BDC Senior Officers must comply with applicable law and have a responsibility to conduct themselves in an honest and ethical manner. BDC Senior Officers must also report violations of applicable law, regulation or this Code of Ethics to the Chairman of the Audit Committee of the BDC. BDC Senior Officers have leadership responsibilities that include creating a culture of high ethical standards and commitment to compliance, maintaining a work environment that encourages Access Persons to raise concerns, and promptly addressing such concerns. This Code of Ethics sets forth the fundamental principles by which BDC Senior Officers, and all Access Persons, must act. BDC Senior Officers must affirm in writing to the BDC Board that they have received, read and understand this Code of Ethics. On at least an annual basis BDC Senior Officers must affirm in writing to the BDC Board that they have complied with the requirements of this Code of Ethics. BDC Senior Officers satisfy this obligation by annually certifying their adherence to this Code of Ethics via ComplySci.

BDC Senior Officers are expected to dedicate their best efforts to advancing the BDC's interests and to use objective and unbiased standards when making decisions that affect the BDC, keeping in mind that they are subject to inherent conflicts of interest because certain officers are also officers of the Firm as well as the BDC. The obligation to conduct the BDC's business in an honest and ethical manner includes the ethical handling of actual or apparent conflicts of interest between personal and business relationships. A conflict of interest for the purpose of this Code of Ethics occurs when private interests interfere in any way, or even appear to interfere, with the interests of the BDC. The Code of Ethics, the Firm's and the BDC's allocation procedures and the other policies of the BDC are designed to ensure the ethical handling of such conflicts. As a result, it is incumbent on BDC Senior Officers to be familiar with this Code of Ethics, the Firm's allocations procedures and other rules and regulations under the 1940 Act as well as the policies of the Firm and the BDC. When making any investment, accepting any position or benefits, participating in any transaction or business arrangement, or otherwise acting in a manner that creates or appears to create a conflict of interest where a BDC Senior Officer is receiving a personal benefit, the BDC Senior Officer should act in accordance with the letter and the spirit of the Code of Ethics and/or the BDC's or the Firm's other applicable policies and procedures. If a Senior Officer is in doubt as to the application or interpretation of any of these, they should make full disclosure of all facts and circumstances to and obtain the prior written approval of the CCO.

The BDC intends to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that the BDC files with, or submits to, the SEC and in all other public communications made by the BDC. BDC Senior Officers are required to promote compliance with this policy by all Access Persons and to abide by the BDC's standards, policies and procedures designed to promote compliance with this Code of Ethics.

Any waiver of this Sarbanes-Oxley Code of Ethics, including an implicit waiver, granted to a BDC Senior Officer may be made only by the BDC Board or a committee thereof. Any such waivers must be disclosed by the BDC.

This section does not create any rights on behalf of any employee, investor, supplier, competitor,

shareholder or other person or entity.

**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, 2025;
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 19, 2026

By: \_\_\_\_\_  
/s/ Peter Sack  
**Peter Sack**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**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, Thomas Geoffroy, Interim 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, 2025;
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 19, 2026

By: \_\_\_\_\_  
/s/ Thomas Geoffroy  
**Thomas Geoffroy**  
**Interim Chief Financial Officer**  
**(Principal Financial Officer)**

**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, 2025 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, 2025 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 19, 2026

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, 2025 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, 2025 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 19, 2026

By: \_\_\_\_\_ /s/ Thomas Geoffroy  
**Thomas Geoffroy**  
**Interim Chief Financial Officer**  
**(Principal Financial Officer)**

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