AFC gamma

ADVANCED FLOWER CAPITAL

2 0 2 0 ANNUAL REPORT

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Unless otherwise indicated, all information in this 2020 Annual Report is provided as of February 23, 2021. Please refer to the filings we have made with the Securities and Exchange Commission subsequent to this date for additional information about the Company, including subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements in this annual report other than statements of current or historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, and we intend such statements to be covered by the safe harbor provisions contained therein. These forward-looking statements are based on our current intent, belief, expectations and views of future events. You can identify these forward-looking statements often, but not always, by words or phrases such as "can," "could," "continuing," "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "ongoing," "plan," "predict," "potential," "project," "should," "seeks," "believe," "likely to" and similar words, phrases or expressions.

These statements are only predictions and involve estimates, known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of the factors discussed under the heading "*Risk Factors*" in our final prospectus (the "Final Prospectus") relating to our follow-on public offering filed with the Securities and Exchange Commission ("SEC") in accordance with Rule 424(b) of the Securities Act on June 24, 2021. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- use of proceeds of offerings and our initial public offering ("IPO");
- our business and investment strategy;
- the impact of COVID-19 on our business and the global economy;
- the ability of our Manager (as defined below) to locate suitable loan opportunities for us, monitor and actively manage our loan portfolio and implement our investment strategy;
- allocation of loan opportunities to us by our Manager;
- our projected operating results;
- actions and initiatives of the U.S. or state governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that cannabis remains illegal under federal law;
- the estimated growth in and evolving market dynamics of the cannabis market;
- the demand for cannabis cultivation and processing facilities;
- shifts in public opinion regarding cannabis;
- the state of the U.S. economy generally or in specific geographic regions;
- economic trends and economic recoveries;
- the amount and timing of our cash flows, if any, from our loans;
- our ability to obtain and maintain financing arrangements;
- our expected leverage;
- changes in the value of our loans;
- our expected portfolio of loans;
- our expected investment and underwriting process;
- rates of default or decreased recovery rates on our loans;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- changes in interest rates and impacts of such changes on our results of operations, cash flows and the market value of our loans;
- interest rate mismatches between our loans and our borrowings used to fund such loans;
- the departure of any of the executive officers or key personnel supporting and assisting us from our Manager or its affiliates;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;

- our ability to maintain our exclusion or exemption from registration under the Investment Company Act;
- our ability to qualify and maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition; and
- market trends in our industry, interest rates, real estate values, the securities markets or the general economy.

You should read this annual report and the documents that we refer to in this annual report completely and with the understanding that our actual future results may be materially different from and worse than what we expect. Moreover, we operate in a rapidly evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all the risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Dear Fellow AFC Gamma, Inc. Stockholders,

On March 19, 2021, AFC Gamma, Inc. ("AFC Gamma") became the first U.S. cannabis lender to list its initial public offering ("IPO") on the Nasdaq Stock Exchange. Since then, our team has worked diligently to build a leading, institutional, lending platform. We believe that the cannabis market is lacking an important niche: lenders that understand what cannabis operators need and can provide flexible, holistic solutions that help businesses grow. AFC Gamma is filling that void.

For years, a significant challenge for borrowers has been finding lenders that can commit to the full amount of capital without third party support. With AFC Gamma's available capital and hold size now greatly expanded following our public listing, we are now better able to compete for and win deals – with no third party necessary. In addition to equity, debt remains an important capitalization option, and we were pleased to have recently received an investment grade rating of triple B minus from Egan-Jones Ratings Company.

Portfolio Update:

Structured as a real estate investment trust, AFC Gamma is proud to support this rapidly growing industry with capital that is typically secured by three pillars: cash flows, licenses and real estate. In particular, we have focused on domestic, single- and multi-state operators that are privately held or listed on the Canadian exchanges.

We are pleased that we have continued to diversify our portfolio across states and borrowers since our IPO. And as of August 1, 2021, we lend to 14 borrowers, with operations in 14 states. We remain focused on lending to operators in limited license markets, as we believe the licenses in those states have additional value as a form of security.

Pipeline Update:

Between January 2020 and June 30, 2021, we sourced over $6.7 billion through more than 344 transactions. We have built strong relationships with our borrowers and our reputation as a trusted lender in the cannabis industry continues to grow. Our robust pipeline of potential borrowers includes numerous operators and expands into new states, which creates a high demand for capital.

Industry Update:

To date in 2021, 36 states have legalized cannabis for medicinal use and 18 states have legalized cannabis for recreational use. Clearly the cannabis market continues to evolve and grow, and we continue to be excited about the significant opportunities ahead. The need for operators to quickly scale, meet their license requirements, and build a presence in their given state is causing an increased demand for capital.

Legislation Update:

The cannabis legislative environment also remains fluid. Senator Schumer of NY recently introduced the Cannabis Administration and Opportunity Act, which, if passed in its current form, would - among other items - remove marijuana from the Controlled Substances Act. While we believe this legislation is unlikely to pass given the current political landscape, we remain optimistic that legislation consistent with the goals of the federal SAFE Banking Act, which would allow financial institutions to provide services to cannabis clients without fear of federal penalties by establishing a safe harbor for depository institutions doing business with cannabis clients, will eventually pass. The SAFE Banking Act may allow for credit cards to be used at cannabis dispensaries, which we would expect to increase the number of banks accepting deposits from the industry. We recognize that the resulting increased competition may drive lower yields for our borrowers, however, it would also potentially lower our cost of capital, as more banks could lend to and more institutions could invest in AFC Gamma.

Looking Ahead

As we've continued to source and evaluate new transactions, AFC Gamma has further expanded our team to over 20 employees and built our corporate infrastructure to support our business plan. Entering the second half of 2021, our best-in-class team, strong balance sheet and increased access to capital has AFC Gamma well positioned to remain a first mover and leader in the rapidly growing cannabis lending market.

Sincerely,

Leonard M. Tannenbaum

Chief Executive Officer, AFC Gamma, Inc.

BUSINESS

Overview

We are a commercial real estate finance company founded in July 2020 by a veteran team of investment professionals. We originate, structure and underwrite senior secured loans and other types of loans for established cannabis industry operators in states that have legalized medicinal and/or adult use cannabis. As states continue to legalize cannabis for medical and adult use, an increasing number of companies operating in the cannabis industry need financing. Due to the capital constrained cannabis market which does not typically have access to traditional bank financing, we believe we are well positioned to become a prudent financing source to established cannabis industry operators given our stringent underwriting criteria, size and scale of operations and institutional infrastructure. Our objective is to provide attractive risk-adjusted returns over time through cash distributions and capital appreciation by providing loans to state law compliant cannabis companies. The loans we originate are primarily structured as senior loans secured by real estate, equipment, licenses and/or other assets of the loan parties to the extent permitted by applicable laws and the regulations governing such loan parties. Our borrowers will sometimes be publicly traded on the CSE in Canada and/or OTC in the United States. Our loans typically have up to a five-year maturity and contain amortization and/or cash flow sweeps.

We are externally managed by our Manager, AFC Management, LLC. Our Manager's professionals have extensive financing capabilities and experience, having collectively completed $10 billion of loan transactions since 1998. In addition, the employees of our Manager have extensive capabilities in originating, underwriting and managing real estate and related financings. We believe our relationship with our Manager benefits us by providing access to a robust pipeline of potentially actionable opportunities, an extensive relationship network of cannabis industry operators and significant back-office personnel to assist in origination and management of loans.

We will elect to be taxed as a REIT under the Code, commencing with our taxable year ended December 31, 2020. We believe that our proposed method of operation will enable us to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us continuing to satisfy numerous asset, income and distribution tests described under "*U.S. Federal Income Tax Considerations—Taxation*," which in turn depends, in part, on our operating results and ability to obtain financing. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the Investment Company Act.

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

Our Manager

We are externally managed by our Manager pursuant to our Management Agreement. All our investment decisions will be made by our Manager, subject to general oversight by the Investment Committee and our Board. The Investment Committee members and the investment personnel provided by our Manager have approximately 100 years of combined investment management experience. Our Manager, its affiliates and the members of our Investment Committee manage several externally-managed vehicles, including our Company and AFC Warehouse Holding, LLC ("AFC Warehouse"), one of our affiliates. Mr. Tannenbaum and Mr. Kalikow have significant equity investments in AFC Warehouse and most of our directors and officers also have equity investments in AFC Warehouse.

Our Manager's team includes Leonard M. Tannenbaum, Jonathan Kalikow, and Robyn Tannenbaum, who currently comprise the Investment Committee members of our Manager. Leonard M. Tannenbaum, our Sponsor and Chief Executive Officer, has 25 years of investment management experience. He has taken three other entities public and has managed several externally-managed investment vehicles with approximately $5.0 billion of assets under management in the aggregate. During his career, Mr. Tannenbaum has underwritten over 400 loans with over $10.0 billion in principal value. Jonathan Kalikow, our Head of Real Estate, has over 20 years of investment management experience, including in hard money lending in commercial real estate transactions. Through his funds, he currently manages approximately $2 billion in assets. Mr. Tannenbaum personally has invested approximately $47.8 million into us and is our largest stockholder. Additionally, a fund controlled by Mr. Kalikow has invested approximately $9.6 million in us.

Our Manager employs stringent underwriting standards that analyze, among other factors, loan collateral, cash flows of the borrower, the financial condition of the borrower, borrower's prior experience in the cannabis industry, and/or state regulatory dynamics.

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

The initial term of our Management Agreement shall continue until July 31, 2023. After the initial term, our Management Agreement shall automatically renew every year for an additional one-year period, unless we or our Manager elect not to renew. Our Management Agreement may be terminated by us or our Manager under certain specified circumstances.

Pursuant to our Management Agreement, upon the date on which our equity equals or exceeds $1,000,000,000, we may, at our election, provide our Manager with a written offer for an internalization transaction in which our Manager will contribute all of its assets to us, or in the alternative, the equity owners of our Manager will contribute 100% of the outstanding equity interest in our Manager to us. If the offer price of such internalization transaction has not been agreed prior to the date that is the three-month anniversary of the date on which our equity equals or exceeds $1,000,000,000, then we shall have the right, but not the obligation, to consummate such internalization transaction, effective as of such date, at an internalization price equal to five times the sum of (i) the annual Base Management Fee (without giving effect to any Base Management Fee Rebate), (ii) the annual Incentive Compensation and (iii) the aggregate amount of Outside Fees less the Base Management Fee Rebate, in each case, earned by our Manager during the 12-month period immediately preceding the most recently completed fiscal quarter.

Market Overview
The following is a summary of the current macroeconomic trends that guide our current investment strategy:

The Cannabis Market is Rapidly Growing
The state regulated cannabis sector has been growing exponentially. The United States retail cannabis market is expected to generate between approximately $22.0 billion to $26.4 billion in total sales for 2021. The annual U.S. retail cannabis sales have also been projected to rise to between approximately $38.4 billion and $45.9 billion by 2025. The compound annual growth rate for the adult use retail cannabis market from 2020 through 2025 is projected to be approximately 19.9%. Cannabis companies have been, and are expected to continue, expanding to new markets. The demand for cannabis has been rising due to the increased accessibility of cannabis and a wide range of benefits for both, medical and adult use. We believe a continuation in this increase in demand will result in significant demand for capital on behalf of cannabis industry operators. We believe that by lending to strong operators within the cannabis industry, we can finance a large share of the market as consolidation occurs. Some of the market drivers, challenges and opportunities related to cannabis are summarized below.

- **Market Drivers:**
  - Increasing numbers of patients and customers purchasing cannabis in state legal programs
  - Increasing legalization of cannabis, including the recent legalization of medicinal and/or adult use cannabis, as applicable, by Arizona, Mississippi, Montana, New York, New Mexico, New Jersey, South Dakota, and Virginia in their most recent respective state elections in 2020 and by New Mexico, New York and Virginia in recent legislation signed by their respective governors in 2021
  - Wide range of benefits for both medical and adult use
  - Growing medical applications
- **Market Challenges:**
  - Stringent state-by-state regulation and lengthy license approval process
  - Requires significant capital expenditure and generally involves high costs and complex distribution channels
  - Large illicit market
- **Market Opportunities:**
  - U.S. cannabis industry is estimated to have a total economic impact of upwards of $160 billion by 2025
  - Constrained public and private equity markets including lack of access to traditional debt capital

Federal Legislative Reform Remains Possible
Cannabis legalization and the support of legalization continues to grow in the United States. Most Americans support ending cannabis prohibition. Gallup's 2020 survey found that approximately 68% of Americans support legalizing cannabis. The poll also found that the support has become bipartisan, with 83% of Democrats, 72% of Independents, and 48% of Republicans supporting the legalization of cannabis. A 2015 United Nations Report revealed that 183 million people worldwide already use cannabis. In the United States, [thirty-seven] states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam have legalized some form of cannabis cultivation, processing, distribution, sales and use for certain medical purposes. [Seventeen] of those states, the District of Columbia, Guam, and Northern Mariana have legalized cannabis for adults for non-medical purposes (sometimes referred to as adult or recreational use).

Most states with legalized cannabis declared cannabis companies as "essential businesses" during the COVID-19 pandemic, permitting them to remain open while residents sheltered in place. According to a study from the Journal of Addictive Diseases, medical cannabis users with mental health conditions reported a 91% increase in use of medical cannabis on average since the beginning of COVID-19 pandemic to the date of the study. In the November 2020 election, six states voted on medical and adult use cannabis legalization measures. Four states—Arizona, New Jersey, Montana, and South Dakota—voted to legalize adult use cannabis, while two—Mississippi and South Dakota—voted to legalize medicinal cannabis, although courts struck down Mississippi's medical legalization and South Dakota's adult use legalization. Following the election, New York, New Mexico, and Virginia legalized cannabis or adult use, and most recently Alabama legalized medical use. Several additional states are actively considering legalizing medical and/or adult use cannabis. The increasing legalization and de-stigmatization of cannabis present a unique market opportunity for us to finance the expansion of cannabis industry operators.

Several cannabis reform bills are pending in the U.S. Congress which could result in differing approaches to cannabis legalization. Most significantly:

- The Secure and Fair Enforcement ("SAFE") Banking Act, which would allow financial institutions legally to provide services to state-licensed and compliant cannabis companies, recently passed a House vote and has been referred to a Senate Committee. In 2019, the Act previously passed the House, but not the Senate.
- The Marijuana Opportunity, Reinvestment and Expungement ("MORE") Act, which would remove cannabis entirely from the list of scheduled substances under the Controlled Substances Act and eliminate criminal penalties for manufacturing, distributing, or possessing cannabis, and would also establish certain measures for social and criminal justice reform and impose a federal tax on cannabis products. The MORE Act passed the House of Representatives on December 4, 2020, but was not considered in the Senate. Following the 2020 election, the Democratic Party now controls both the House of Representatives and the Senate. The MORE Act was reintroduced in the House of Representatives on May 28, 2021.
- The Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act, sponsored by Republican representatives, which would federally deschedule cannabis and provide federal protections and mandates for federal cannabis research.
- Additionally, other legislators have stated they intend to introduce bills to legalize cannabis. Senators Cory Booker (D-NJ), Ron Wyden (D-OR) and Chuck Schumer (D-NY) issued a joint statement earlier this year regarding comprehensive cannabis reform legislation they will be introducing in the form of a new bill in 2021. Senator Schumer specifically stated that he wants to end the federal government's prohibition targeting marijuana and "repair the damage done to communities by the War on Drugs" through this new bill. However, there can be no assurances as to when any such bill will pass, if any such bill will pass at all or if any such bill will be accepted and made law by the President.

While industry observers are hopeful that changes in Congress, along with a Biden presidency, will increase the chances of banking reform, such as the SAFE Banking Act, we cannot provide assurances that a bill legalizing cannabis would be approved by Congress now or in the near future.

Certain potential market participants feel constrained due to federal legislation

Due to discrepancies in state and federal regulations regarding cannabis and complicated know-your-customer obligations, federally-chartered institutional banks have felt constrained from providing full services to cannabis-related businesses. Since cannabis currently remains illegal at the federal level, federally-chartered banks that engage in business with the cannabis industry are considered to potentially be putting their federal banking charters at risk by engaging in cannabis-related funding. Moreover, each state has different licenses, requirements, and regulations, thus creating inconsistencies between markets and the need for specific state-by-state diligence, creating a void market space for us.

Inefficient capital markets

Companies that cultivate, process, manufacture, distribute, or dispense cannabis (i.e., plant-touching cannabis companies) in the United States are not currently permitted to list on the NYSE, the Nasdaq Stock Market or the Toronto Stock Exchanges. Thus, plant-touching cannabis companies are presently relegated to listing equity stock on less prominent exchanges or markets, such as the CSE in Canada or the OTC in the United States. As a result, companies with cannabis operations in the U.S. are seeking alternative sources of financing, which has allowed lenders to command strong risk-adjusted returns in the origination of loans with significant collateral. Furthermore, financing is not broadly available for companies operating in the cannabis industry seeking to raise first lien debt capital.

Lack of financing alternatives among cannabis industry operators

Cannabis industry operators do not have many flexible capital alternatives, with typical real estate sale-leaseback transactions subject to long-term leases. For example, certain competitors with typical REIT land ownership models have long-term leases averaging approximately 16 years. We believe there is significant demand for debt financing for cannabis industry operators to finance their growth whereby operators retain ownership of their real estate. Furthermore, we believe shorter-term financing is superior to long-term sale-leaseback transactions on a risk-adjusted basis given the ability to repatriate and redeploy capital more quickly in the evolving industry.

Our Competitive Strengths

We expect opportunities to provide loans in the cannabis market to rise due to states' continued legalization of cannabis and the growth of state cannabis programs. We believe we are well positioned to become a strong financing source of choice for cannabis industry operators due to the following factors:

Leading loan origination platform in high-growth market with extensive barriers to entry: Through our size and scale of operations, as well as our incumbency and institutional infrastructure, we are able to take advantage of the capital supply/demand imbalance to further our intention to generate strong risk-adjusted returns by providing operators debt capital. Additionally, as states continue to legalize cannabis, the demand for capital to fund operations should increase and we believe we will be positioned to continue funding these borrowers both as an investment lender and institutional capital provider to an expanding universe of operators.

Compelling risk-adjusted returns vs. other real estate property types: We seek to obtain strong risk-adjusted yield-to-maturity ("YTM") with targeted annual gross yields on our loans within the range of 12% to 20% through coupons, OID, prepayment or exit fees, and other fees. Our Manager expects to earn Outside Fees resulting from the investment advisory services and general management services rendered by it to us under our Management Agreement and, 50% of any Outside Fees, including any agency fees relating to our loans, but excluding the Incentive Compensation and any diligence fees paid to and earned by our Manager and paid by third parties in connection with our Manager's due diligence of potential loans reduce the Base Management Fees paid by us to our Manager. As a result of such reduction, we are credited by our Manager with the value of such fees to our investors' returns.

Experienced Management Team: Our Manager administers our business activities and day-to-day operations subject to the overall supervision of our Board. Our Manager's team is comprised of leading professionals with extensive and diverse expertise and significant financing industry experience. We believe that the length and breadth of this team's financing experience and their ability to source and execute a wide variety of loans is one of our significant competitive advantages.

Strong Underlying Collateral: Our loans are primarily secured by real property and certain personal property, including licenses, equipment and other assets to the extent permitted by applicable laws, and the regulations governing our borrowers and our intention to qualify as a REIT. Some of our borrowers have their equity securities listed for public trading on the CSE or OTC.

Flexible Structure: We believe we have a more flexible funding structure, with the ability to redeploy funding more quickly than the typical REIT land ownership models. Our funding structure commits and funds loans with an average maturity of four years with significant prepayment protections whereas certain competitors with typical REIT land ownership models have long-term leases averaging approximately 16 years. The duration of our loans, as compared to the length of leases usually employed by REIT land ownership models, allows us to redeploy our capital with more flexibility as market changes occur instead of being locked in for longer periods of time. This model also allows our borrowers to retain control of their real estate assets, which is important to their businesses and allows for more flexibility regarding their capital structure.

Significant Sponsor Investment: Our Sponsor, Leonard M. Tannenbaum, who also serves as our Chief Executive Officer, invested approximately $47.8 million in our Company in August 2020. The Sponsor's investment was structured to include a combination of cash and a transfer of loan assets at fair value plus accrued and unpaid interest, to us. The investment resulted with our Sponsor directly and indirectly acquiring approximately 3,342,500 shares of our common stock. Additionally, Gamma Lending Holdco LLC, which is a fund controlled by Jonathan Kalikow, our Head of Real Estate, one of our directors and an affiliate of our Manager, and his father, invested approximately $9.6 million in cash in our Company in August 2020. Our Sponsor, through AFC Finance, LLC, an entity owned by our Chief Executive Officer, Leonard Tannenbaum, and our Head of Real Estate, Jonathan Kalikow, has also provided us with our Revolving Credit Facility. The Revolving Credit Facility provides revolving loan commitments of up to $50.0 million and bears interest at a fixed rate of 6.0% per annum, payable in cash in arrears. We did not incur any fees or costs related to the origination of the Revolving Credit Facility and we are not required to pay any commitment fees under the Revolving Credit Agreement. Our obligations under the Revolving Credit Agreement are secured by a first priority security interest in substantially all of our existing and future assets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Revolving Credit Facility*."

Our Growth Strategy

Objective

Our objective is to provide attractive risk-adjusted returns over time through cash distributions and capital appreciation. We intend to achieve this objective by sourcing, underwriting, structuring and funding loans to state law compliant cannabis companies.

We believe we are well positioned to take advantage of the supply and demand imbalance that exists in the market. As the cannabis industry continues to evolve and to the extent that additional states legalize cannabis, the demand for capital continues to increase as operators seek to enter and build out new markets. We provide borrowers an institutional and flexible alternative for financing. As we continue to grow our equity base, we believe we can commit to additional transactions with strong risk-adjusted returns to diversify our portfolio and act as a lead agent on larger deals that we can syndicate.

We intend to primarily focus on cannabis industry operators with strong collateral, in the form of real estate, equipment, licenses, and other assets owned by the borrower. Our Manager will regularly evaluate loans and we currently retain an independent third-party valuation firm to provide input on the valuation of unquoted assets, which our Manager considers along with various other subjective and objective factors when making any such evaluation. The collateral underlying our loans is located in states in the U.S. that we believe have attractive regulatory environments for companies operating in the cannabis industry, economic conditions and commercial real estate fundamentals.

Key elements of our strategy include:

- Targeting loans for origination and investment that typically have the following characteristics:
  - principal balance greater than $10 million;
  - real estate collateral coverage of at least one times the principal balance;
  - secured by commercial real estate properties, including cannabis cultivation facilities, processing facilities and dispensaries; and
  - well-capitalized sponsors with substantial experience in particular real estate sectors and geographic markets.
- Diversifying our financing sources with increased access to equity and debt capital, which may provide us with a lower overall cost of funding and the ability to hold larger loan sizes, among other things.

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

Underwriting and Investment Process

Pursuant to the Management Agreement that was entered into between our Manager and us, our Manager will manage our loans and day-to-day operations, subject at all times to the further terms and conditions set forth in the Management Agreement and such further limitations or parameters as may be imposed from time to time by our Board.

Our Manager's rigorous underwriting and investment process enables us to source, screen and ultimately provide senior secured loans to established cannabis industry participants in states that have legalized medicinal and/or adult use cannabis. Our Manager as well as our management team provided by our Manager and our Board are attuned to the macro-environment and political environment as they relate to the lending and cannabis industries.

We expect to benefit from the tested method of capital allocation and on-going investment monitoring developed by our Manager. The primary objectives of the investment process are for it to be repeatable, dependable, and able to produce attractive risk-adjusted returns. The primary components of the investment process are as follows:

Origination	**Underwriting**	**Investment Committee**	**Legal Documentation and Post-Closing**
• Direct origination platform works to create enhanced yields and allows us to put in greater controls for loans in which our Manager originates and structures	• Disciplined underwriting process leads to a highly selective approach	• Focused on managing credit risk through comprehensive investment review process	• Investment team works alongside external counsel to negotiate credit agreements and collateral liens
• Platform drives increased deal flow, which provides for improved loan selectivity	• Potential loans are screened based on four key criteria: company profile, state dynamics, regulatory matters and real estate asset considerations	• The Investment Committee must approve each loan before commitment papers are issued	• Emphasis is placed on financial covenants and limitations on actions that may be adverse to lenders

• Allows for specific portfolio construction and a focus on higher quality companies	• Other tools that we frequently use to verify data include, but are not limited to: appraisals, quality of earnings, environmental reports, site visits, anti-money laundering compliance, comparable company analyses and background checks	• Members of the Investment Committee currently include: Leonard M. Tannenbaum, Jonathan Kalikow and Robyn Tannenbaum. It is intended that the Investment Committee will be expanded to five members consisting of the three current members and our to-be-named Managing Director, Portfolio Management and General Counsel	• Portfolio is proactively managed to monitor ongoing performance, in some instances, through seats on borrowers' boards of directors or board observer rights

Origination

Our Manager has a team of experienced commercial real estate and lending investment professionals who have well-established relationships with over 90 third parties (including companies operating in the cannabis industry, mortgage brokers, investment banks, third-party providers and investors) that enable us to generate attractive loan opportunities in our target asset class.

We believe our broad origination capabilities enable credit selection discipline. We have a direct origination platform which typically creates enhanced yields due to our ability to originate, participate, document, and put in enhanced controls in the structuring of the loans. This platform enables us to have access to a larger investment universe, increasing our ability to be selective and allowing for specific portfolio construction and a focus on higher quality companies.

Our Manager's origination team meets regularly to evaluate new loan opportunities, employing a highly collaborative approach to investing. Upon its receipt of an actionable request, our Manager's deal team prepares a standardized template (an "Early Read Memo") that serves as the initial recommendation to the Investment Committee with respect to initially pursuing such opportunity. This Early Read Memo contains key property metrics, including, without limitation, property characteristics, preliminary loan terms and structure. Our Manager's origination team takes a bottom-up, enterprise value-oriented approach to underwriting, focusing on collateral valuation, multiple exit strategies and downside principal protection. The goal of our Manager is to identify key issues and decisions early in the process, including, without limitation, issues relating to the preliminary pricing, asset quality, market, borrower or capital structure.

Pricing

Our Manager also evaluates the Early Read Memo prepared by the deal team to evaluate the likely financing terms, comparable market transactions and the impact of the loan on our overall portfolio construction from a diversification and return standpoint. Loans are priced based on our Manager's view of liquidity and market conditions. Our Manager confirms that the required pricing generates an appropriate expected return on any given loan. Key model inputs include: the loan's credit spread; original issue discount ("OID") and exit fees (if any); the timing and amount of future funding; the expected tenor and cost of asset-level financing; expected timing of repayments; likelihood of a loan extension past initial maturity; extension fees (if any); the cost of servicing; and an estimate of our management, general and administrative expenses. Model assumptions and pricing methodology are adjusted as needed based on prevailing market conditions, investor sentiment and activity and portfolio allocations and concentrations at the time of pricing. Returns on targets are not a reliable indicator of future performance and no guarantee or assurance is given that such returns will be achieved or that an investment in our Company will not result in a loss. Target return rates are based on our good faith and reasonable assumptions. Actual events or conditions may differ materially from these assumptions, and therefore, actual returns could be substantially lower.

Term Sheet and Due Diligence

Upon the decision to further pursue a loan investment, our Manager's deal team, with the input of the Investment Committee, negotiates and executes a term sheet. Term sheets are issued subject to due diligence and the final approval of the Investment Committee. Upon receipt of an executed term sheet and an expense deposit from the borrower, our Manager's deal team commences full due diligence and preparation of documentation. Our Manager's deal team inspects each property and assesses competitive properties in the surrounding market.

Underwriting

Once an attractive lending opportunity has been identified, we move quickly to evaluate the merits and risks associated with the loan. We evaluate loans by subjecting them to a rigorous underwriting process, guided by a series of internal approval stages. This underwriting process can take approximately six weeks to three months, often depending on state regulatory dynamics. Potential loans are screened based on the following key criteria: company profile, state dynamics, regulatory matters, and real estate considerations. We subject all loans to a rigorous underwriting process which is designed to assess all important aspects of the loan. The diligence tools we utilize to verify data include, but are not limited to, appraisals, quality of earnings reports, environmental reports, site visits, comparable company analyses, background checks and local regulatory restrictions. Certain factors that we evaluate include:

- **Borrower and Operations**
  - Type of operations – cultivation, processing, manufacturing and distribution
  - Mix analysis – wholesale vs. retail
  - State regulatory approval
  - Quality of management – cultivation experience and financial expertise, among other factors
  - Brand analysis – owned brands or produce for others
  - Quality control analysis – testing, operational procedures, remediation procedures
  - Construction projects – historical ability to hit budget and timeline
- **Real Estate and Structure**
  - Type of cultivation (outdoor, greenhouse, indoor), processing capabilities, and distribution abilities
  - Size, construction, and suitability of the facility
  - Total land and hard/soft costs analysis to determine total basis and estimate replacement costs
  - Visual and/or physical site visit to inspect the land, facilities, and specific systems in use
  - Real estate metrics:
    - Loan to Cost
    - Loan to Value (appraised for cannabis use)
    - Loan to Value (alternative use)
- **State by State Analysis**
  - Legislative environment of every state a company operates in
  - Probability analysis of legislative changes in each state
  - Growing conditions and seasonality within the state
  - Local planning and permits
  - Current political climate and importance of cannabis
  - License dynamics – number and type (vertical, single)
- **Loan Analysis**
  - Loan size and capital structure overview – current and pro forma
  - Loan economics – interest rate, OID, exit fees, prepayment penalties, etc.
  - Loan security – real estate, licenses, parent and/or subsidiary guarantees, cash flow, trademarks, etc.
  - Thorough covenant analysis and remedies to breach
  - Review of the agent and participants in the syndication process
  - Risks and mitigants of the loan – credit risk, business risk, structure risk, etc.
  - If the borrower offers us an Assigned Right to acquire warrants and/or equity of the borrower as part of the consideration for us to provide a loan to such borrower, we will sell the Assigned Right to a third-party buyer on the market or to one of our affiliates, subject to such affiliate's separate approval process and our related transactions policy.

- **Financial Analysis and Metrics**
  - Historical and projected cash flow analysis
  - Capital structure analysis – current and pro forma for the loan
  - Loans are structured with covenants such as maximum leverage ratio, debt service coverage ratio, fixed charge coverage ratio, minimum EBITDA, and minimum cash
  - Cost per gram of the product
  - Full financial model – vertically integrated, wholesaler, distributor, etc.
- **License Analysis**
  - Fully examine the licenses owned in each state
  - Review the licenses under application in each state
  - Evaluate the transferability of license(s) held by the company
  - Analyze the valuation and marketplace for licenses in each stat

Assessments of Property Condition
As part of the underwriting and closing process, our Manager obtains the third-party reports and other documentation described below:

- *Appraisal*. An independent appraisal, or an update of an independent appraisal, that meets the requirements of the "Uniform Standards of Professional Appraisal Practice" as adopted by the Appraisal Standards Board of the Appraisal Foundation, or the guidelines in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, is generally required in connection with the origination or acquisition of each loan. In some cases, however, the value of the subject property collateral may be established based on total cost basis, a cash flow analysis, a recent sales price or another method or benchmark of valuation, without reference to any appraisal report.
- *Environmental Assessment*. A Phase I environmental assessment is performed by a qualified third- party consultant to identify and evaluate potential environmental issues in connection with the subject property collateral. Depending on the findings of the initial environmental assessment, any of the following may be required: additional environmental testing and review, such as a Phase II environmental assessment with respect to the property; an environmental insurance policy; remediation activities; the establishment of an operations and maintenance plan by the borrower; and/or a guaranty or reserve with respect to environmental matters. If a Phase I or Phase II report already exists from a qualified consultant, we may utilize the information in that report along with a reliance letter from the consultant who performed the report.
- *Engineering Assessment*. In general, our Manager requires that an engineering firm inspect the subject property collateral to assess the structure, exterior walls, roofing, interior structure, parking, fire suppression systems, ADA compliance, and/or mechanical and electrical systems. Based on the resulting report, our Manager determines the appropriate response, which may include, but is not limited to, modifications to the contemplated loan terms, or additional reserve requirements for any recommended immediate repairs, corrections or replacements and any identified deferred maintenance.
- *Seismic Report*. For investments in geographic regions that are known to be seismically active, we may retain third-party consultants to determine if earthquake insurance is required and, if required, the appropriate amount for the asset and situation.
- *Insurance*. The borrower is required to provide to us evidence of, and our Manager typically reviews (with the assistance of both counsel and an independent insurance consultant), various forms of insurance, including: (i) title insurance insuring the lien of the subject property collateral; (ii) casualty insurance; (iii) flood insurance, if applicable and available; and (iv) business interruption or rent loss insurance. In addition, our Manager typically requires the borrower to maintain comprehensive general liability insurance against claims for personal and bodily injury, death or property damage occurring on, in or about the property in an amount customarily required by institutional lenders.

Legal Diligence and Loan Documentation
Concurrently with the due diligence process, our Manager's deal team engages outside legal counsel to conduct legal diligence and negotiate loan documentation. With the assistance of outside counsel, our Manager's deal team confirms that each loan complies with the negotiated terms in the term sheet, as well as all required REIT regulations, our continued exclusion or exemption from registration under the Investment Company Act and our investment guidelines.

Review and Approval

Following the completion of due diligence and loan documentation, our Manager's deal team prepares a memorandum summarizing its analytical and due diligence findings and presents the memorandum to the Investment Committee. The Investment Committee reviews, among other things, property details, market fundamentals, borrower creditworthiness, investment structure, cash flow underwriting and deal risks and mitigating factors prior to issuing an approval for funding. Our Manager's investment decisions are based on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. The investment approval relies on a rigorous, iterative process with numerous checks and balances and constant engagement throughout the deal process and strives for consensus decision-making for all investments.

Closing

Following final approval of a loan, our Manager moves efficiently to close the loan transaction. The closing process includes: completion of any outstanding business and legal due diligence items; finalization of third-party reports; finalization of investment documents and verification of the sources and uses of funds; completion of the closing statement and funding memorandum; review of the title company closing statement with the escrow agent; coordination of funding with our Manager's treasury and operations groups; coordination with any financing provider; loan closing and funding; and delivery of final files to the custodian and the servicer. A full closing checklist evidencing these items must be executed by all relevant parties in order for a funding wire to be initiated.

Post-Closing Asset Management

Our portfolio is proactively managed to monitor ongoing performance. Our Manager reviews periodic financial statements as well as financial covenant compliance as required per the respective credit agreements. Our Manager regularly meets with borrowers to discuss financial results, market trends and general business matters. Additionally, our Manager typically will make annual site visits to borrowers' facilities.

Investment Committee

The Investment Committee overseeing loans for us will be focused on managing our credit risk through a comprehensive investment review process. As part of the investment process, the Investment Committee must approve each loan before commitment papers are issued.

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

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 financial statements and related notes that are included elsewhere in this annual report. This discussion contains forward-looking statements that reflect our current expectations and views of future events, which involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed under the heading "Risk Factors" in our Final Prospectus and those identified below and elsewhere in this annual report. See "Special Note Regarding Forward-Looking Statements."

Overview

We are a commercial real estate finance company founded in July 2020 by a veteran team of investment professionals. We originate, structure, underwrite and manage senior secured loans and other types of loans for established cannabis industry operators in states that have legalized medicinal and/or adult use cannabis. As states continue to legalize cannabis for medical and adult use, an increasing number of companies operating in the cannabis industry need financing. Due to the capital constrained cannabis market which does not typically have access to traditional bank financing, we believe we are well positioned to become a prudent financing source to established cannabis industry operators given our stringent underwriting criteria, size and scale of operations and institutional infrastructure. Our objective is to provide attractive risk-adjusted returns over time through cash distributions and capital appreciation by providing loans to state law compliant cannabis companies. The loans we originate will primarily be structured as senior loans secured by real estate, equipment, licenses and/or other assets of the loan parties to the extent permitted by applicable laws and the regulations governing such loan parties. Our targeted borrowers will sometimes be publicly traded on the CSE in Canada and/or OTC in the United States. Our loans will typically have up to a five-year maturity and contain amortization and/or cash flow sweeps.

We are externally managed by our Manager, AFC Management, LLC, a Delaware limited liability company, pursuant to the terms of our Management Agreement.

We commenced operations on July 31, 2020. We are incorporated in Maryland and intend to elect and qualify to be taxed as a REIT, commencing with our taxable year ending December 31, 2020. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all or substantially all of our taxable income to stockholders and maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the Investment Company Act.

We are an "emerging growth company," as defined in the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. 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 have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult. Additionally, because we have taken advantage of certain reduced reporting requirements, the information contained herein may be different from the information you receive from other public companies in which you hold stock. See the risk factors under the heading "*Risk Factors—Risks Related to Ownership of Our Common Stock —We are an "emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make shares of our common stock less attractive to investors*" in our Final Prospectus for certain risks related to our status as an emerging growth company.

We could remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than $1.0 billion in non-convertible debt during the preceding three year period.

Revenues

We operate as one operating segment and are primarily focused on financing senior secured loans and other types of loans for established cannabis industry operators in states where medical and/or adult use cannabis is legal. These loans are generally held for investment and are secured by real estate, equipment, licenses and other assets of the loan parties to the extent permitted by the applicable laws and the regulations governing such loan parties.

We generate revenue primarily in the form of interest income on loans. As of December 31, 2020, two of our loans, representing approximately 16.9% of our loan portfolio based on aggregate outstanding principal balances, paid interest at a variable rate tied to LIBOR. Going forward, we intend to have the majority of our loans by aggregate commitments accrue at floating rates. Interest on our loans are generally payable monthly or quarterly. The principal amount of our loans and any accrued but unpaid interest thereon generally become due at the applicable maturity date. In many cases, our interest income includes a PIK component for a portion of the total interest. The PIK interest, computed at the contractual rate specified in each applicable loan agreement, is accrued in accordance with the terms of such loan agreement and added to the principal balance of the loan and recorded as interest income. The PIK interest added to the principal balance is typically amortized and paid in accordance with the applicable loan agreement. In cases where the loans do not amortize, the PIK interest is collected and recognized upon repayment of the outstanding principal. We also generate revenue from OID, which is also recognized as interest income from loans over the initial term of the applicable loans. Delayed draw loans earn interest or unused fees on the undrawn portion of the loan, which is recognized as interest income in the period earned. Other fees, including prepayment fees and exit fees, are also recognized as interest income when received. Any such fees will be generated in connection with our loans and recognized as earned in accordance with GAAP.

Expenses

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

- organizational and offering expenses;
- quarterly valuation expenses;
- fees payable to third parties relating to, or associated with, making loans and valuing loans (including third-party valuation firms);
- fees and expenses associated with investor relations and marketing efforts (including attendance at investment conferences and similar events);
- federal and state registration fees;
- any exchange listing fees;
- federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders' reports and notices; and
- costs of preparing government filings, including periodic and current reports with the SEC.

Income Taxes

We are a Maryland corporation and will elect to be taxed as a REIT under the Code, commencing with our taxable year ending December 31, 2020. We believe that our proposed method of operation will enable us to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us satisfying numerous asset, income and distribution tests which depends, in part, on our operating results.

To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually to our stockholders at least 90% of our REIT taxable income prior to the deduction for dividends paid. To the extent that we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of 1) 85% of our ordinary income for the calendar year, 2) 95% of its capital gain net income for the calendar year, and 3) any undistributed shortfall from its prior calendar year (the "Required Distribution") to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. Our stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that our estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, we will accrue excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense is included in the line item income tax expense.

Factors Impacting our Operating Results

The results of our operations are affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply of, and demand for, commercial real estate debt and other financial assets in the marketplace. Our net interest income, which includes the accretion and amortization of OID, is recognized based on the contractual rate and the outstanding principal balance of the loans we originate. Interest rates will vary according to the type of loan, conditions in the financial markets, creditworthiness of our borrowers, competition and other factors, some of which cannot be predicted with any certainty. Our operating results may also be impacted by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers.

Changes in Fair Value of Our Assets.

We generally hold our target investments as long-term loans; however, we may occasionally classify some of our loans as held for sale. We may carry our loans at fair value or carrying value in our balance sheet. As of December 31, 2020 four of our loans held for investment were carried at fair value within loans held at fair value in our balance sheets, with changes in fair value recorded through earnings.

We evaluate our loans on a quarterly basis and fair value is determined by our Board through its independent Audit and Valuation Committee. We use an independent third-party valuation firm to provide input in the valuation of all of our unquoted investments, which we consider along with other various subjective and objective factors in making our evaluations. We intend to continue to use an independent third-party valuation firm to assist in the valuation of all unquoted investments.

Our loans are typically valued using a yield analysis, which is typically performed for non-credit impaired loans to borrowers. To determine fair value using a yield analysis, a current price is imputed for the loan based upon an assessment of the expected market yield for a similarly structured loan with a similar level of risk. In the yield analysis, we consider the current contractual interest rate, the maturity and other terms of the loan relative to risk of the borrower and the specific loan. A key determinant of risk, among other things, is the leverage through the loan relative to the enterprise value of the borrower. As loans held by us are substantially illiquid with no active transaction market, we depend on primary market data, including newly funded loans, as well as secondary market data with respect to high-yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable. Changes in market yields may change the fair value of certain of our loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of our loans, however this is mitigated to the extent our loans bear interest at a floating rate.

Due to the inherent uncertainty of determining the fair value of loans that do not have a readily available market value, the fair value of our loans may fluctuate from period to period. Additionally, the fair value of our loans may differ significantly from the values that would have been used had a ready market existed for such loans and may differ materially from the values that we may ultimately realize. Further, such loans are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate our investment in a loan in a forced or liquidation sale, we could realize significantly less than the value at which we had recorded such loan investment.

Changes in Market Interest Rates and Effect on Net Interest Income

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We will be subject to interest rate risk in connection with our assets and our related financing obligations.

Our operating results will depend in large part on differences between the income earned on our assets and our cost of borrowing. The cost of our borrowings generally will be based on prevailing market interest rates. During a period of rising interest rates, our borrowing costs generally will increase (a) while the yields earned on our leveraged fixed-rate loan assets will remain static, and (b) at a faster pace than the yields earned on our leveraged floating-rate loan assets, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an increase in short-term interest rates could also have a negative impact on the market value of our target investments. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

Interest Rate Cap Risk

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

In July 2017, the Financial Conduct Authority announced its intention to phase out LIBOR by the end of 2021 and the IBA recently announced that it will be consulting on plans to extend the cessation date for certain tenors of U.S.-dollar LIBOR until 2023. It is not possible to predict the effect of any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phase out. If LIBOR is no longer available, our applicable loan documents generally allow us to choose a new index based upon comparable information Any of these proposals or consequences could have a material adverse effect on our interest expenses. For further information on the risks associated with the elimination of LIBOR, please see the risk factors under the heading "*Risk Factors—Risks Related to Our Business and Growth Strategy—Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our loans and investments*" in our Final Prospectus.

Interest Rate Mismatch Risk

We may fund a portion of our origination of loans, or of loans that we may in the future acquire, with borrowings that are based on LIBOR, while the interest rates on these assets may be fixed or indexed to LIBOR or another index rate. Accordingly, any increase in LIBOR will generally result in an increase in our borrowing costs that would not be matched by fixed-rate interest earnings and may not be matched by a corresponding increase in floating-rate interest earnings. Any such interest rate mismatch could adversely affect our profitability, which may negatively impact distributions to our stockholders.

Our analysis of risks is based on our Manager's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of decisions by our Manager and our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results.

Market Conditions

We believe that favorable market conditions, including an imbalance in supply and demand of credit to cannabis operating companies, have provided attractive opportunities for non-bank lenders, such as us, to finance commercial real estate loans and other loans that exhibit strong fundamentals but also require more customized financing structures and loan products than regulated financial institutions can presently provide. Additionally, to the extent that additional states legalize cannabis (with five states doing so as a result of the 2020 elections), our addressable market will increase. We intend to continue our track record of capitalizing on these opportunities and growing the size of our portfolio.

Credit Risk

We are subject to varying degrees of credit risk in connection with our loans and interest receivable. Our Manager seeks to mitigate this risk by seeking to originate loans, and may in the future acquire loans, of higher quality at appropriate prices given anticipated and unanticipated losses, by employing a comprehensive review and selection process and by proactively monitoring originated and acquired loans. Nevertheless, unanticipated credit losses could occur that could adversely impact our operating results.

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

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

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

Our loan portfolio as of December 31, 2020 was concentrated with the top three borrowers representing approximately 52.8% of the funded principal and approximately 66.2% of the total funded commitments. The largest loan represented approximately 30.6% of the funded principal and approximately 31.7% of the total funded commitments as of December 31, 2020. Our largest borrower as of

December 31, 2020 was a vertically integrated multi-state operator with operations in AZ, CT, MA, MD, MI and PA. The senior term loan provided to such borrower had $33.3 million outstanding principal as of December 31, 2020 and an unfunded commitment of $1.2 million. This senior term loan accrues interest at a rate of 13.0% per annum, payable in cash, plus 4.0% per annum PIK. This senior term loan has an OID of 7.9% and requires the payment of certain fees including an unused loan fee of 2.0% and an agency fee paid to our Manager of 1.0% of the outstanding principal amount, paid annually (in advance), which was fully rebated to our stockholders as a Base Management Fee Rebate. This senior term loan also has a 2.0% exit fee, a 12-month non-call feature, and prepayment fees of 4.0% and 2.0% for prepayments occurring within 24 months and 36 months, respectively. This senior term loan contains certain representations and warranties, affirmative covenants, negative covenants and conditions that are customarily required for similar financings, including covenants that limit the borrower's ability to incur, create, or assume certain unsecured indebtedness, and borrower's ability to engage in certain mergers, consolidations, and asset sales. This senior term loan also requires borrower to comply with certain financial maintenance covenants (measured at the end of each fiscal quarter) including a minimum adjusted EBITDA, minimum free cash flow, maximum total leverage ratio, minimum fixed charge coverage ratio and minimum cash balance. This senior term loan also contains customary events of default (subject, in certain instances, to specified grace periods) including, but not limited to, the failure to make payments of interest or premium, if any, on, or principal under the loans, the failure to comply with certain covenants and agreements specified in the credit agreement, defaults in respect of certain other indebtedness and certain events relating to bankruptcy or insolvency. If any event of default occurs, the principal, premium, if any, interest and any other monetary obligations on all the then outstanding amounts under the senior term loans may become due and payable immediately. Upon the occurrence of an event of default, a default interest rate of an additional 5.0% may be applied to the outstanding principal balance, and the Manager may declare all outstanding obligations immediately due and payable (subject, in certain instances, to specified grace periods) and take such other actions as set forth in the credit agreement. Upon the occurrence of certain bankruptcy and insolvency events, the obligations under the credit agreement would automatically become due and payable.

In June 2016, the FASB issued ASU No. 2016-13, which replaced the incurred loss impairment methodology pursuant to GAAP with a methodology that reflects current expected credit losses ("CECL") on both the outstanding balances and unfunded commitments on loans held for investment and requires consideration of a broader range of historical experience adjusted for current conditions and reasonable and supportable forecast information to inform credit loss estimates (the "CECL Reserve"). We adopted ASU No. 2016-13 as of July 31, 2020, the date of our commencement of operations. Subsequent period increases and decreases to expected credit losses impact earnings and are recorded within provision for current expected credit losses in our statement of operations. The CECL Reserve related to outstanding balances on loans held for investment required under ASU No. 2016-13 is a valuation account that is deducted from the amortized cost basis of our loans held at carrying value and loans receivable at carrying value in our balance sheet. The CECL Reserve related to unfunded commitments on loans held at carrying value is recorded within accounts payable and other liabilities in our balance sheet. Refer to footnote 6 to our financial statements titled "*Current Expected Credit Losses*" for more information on CECL.

Real Estate Risk

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

Risk Management

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

- we manage our portfolio through an interactive process with our Manager and service our self-originated loans through our Manager's servicer;
- we invest in a mix of floating- and fixed-rate loans to mitigate the interest rate risk associated with the financing of our portfolio;
- we actively employ portfolio-wide and asset-specific risk measurement and management processes in our daily operations, including utilizing our Manager's risk management tools such as software and services licensed or purchased from third-parties and proprietary analytical methods developed by our Manager; and
- we seek to manage credit risk through our due diligence process prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate. In addition, with respect to any particular target investment,

prior to origination or acquisition our Manager's investment team evaluates, among other things, relative valuation, comparable company analysis, supply and demand trends, shape-of-yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

Results of Operations

We commenced operations on July 31, 2020 and therefore, have no period to compare results for the period from July 31, 2020 to December 31, 2020. For the period presented, our Manager has been reimbursed for approximately $672,000 for out-of-pocket costs incurred on our behalf.

In connection with the commencement of our operation on July 31, 2020, we acquired a portfolio of loans from multiple affiliates at fair value of approximately $46.8 million. An original issue discount was recorded related to the portfolio of loans acquired at fair value. The original issue discount was approximately equivalent to $4.9 million of unaccreted OID associated with the underlying loans in the portfolio, which were originated prior to July 31, 2020 in arm's-length transactions. We accrete or amortize any discounts or premiums on loans held for investment over the life of the related loan held for investment utilizing the effective interest method.

Our net income allocable to our common stockholders for the period from July 31, 2020 to December 31, 2020 was approximately $4.3 million or $0.76 per common share. Net income of approximately $4.3 million was comprised of approximately $5.3 million in total revenues, operating expenses of approximately $2.4 million, realized gains on loans of approximately $0.4 million and a net change in unrealized gain on loans of approximately $1.6 million.

For the period from July 31, 2020 to December 31, 2020, our provision for current expected credit loss was $465,397 or 132 basis points of our total loans held at carrying value and loans receivable at carrying value commitment balance of $35,185,294 and was bifurcated between (i) the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying value and loans receivable at carrying value of $404,860 and (ii) a liability for unfunded commitments of $60,537. The liability is based on the unfunded portion of loan commitments over the full contractual period over which we are exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and if funded, the expected credit loss on the funded portion. We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan.

Investments in loans held at fair value are recorded on the trade date at cost, which reflects the amount of principal funded net of any original issue discounts. An unrealized gain arises when the value the loan portfolio exceeds its cost and an unrealized loss arises when the value of the loan portfolio is less than its cost. The net change in unrealized gain of approximately $1.6 million for the period from July 31, 2020 (date of commencement of operations) through December 31, 2020 was mainly driven by the net change in the valuation of the loans.

For the period beginning July 31, 2020 (date of commencement of operations) and ending on December 31, 2020, we incurred fees payable to our manager for a Base Management Fee of $364,194, which was net of a Base Management Fee Rebate of $259,167. Our Manager agreed to waive the Incentive Compensation for the period from July 31, 2020 (date of commencement of operations) through December 31, 2020, which was approximately $479,166 for the period.

These results were accomplished over a period of five months with a loan portfolio that represented approximately 91% of the shareholder equity capital invested as of December 31, 2020.

Loan Portfolio

As of December 31, 2020, our portfolio included four loans held at fair value . The aggregate originated commitment under these loans was approximately $59.9 million and outstanding principal was approximately $50.8 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, we funded approximately $16.4 million of outstanding principal of loans held at fair value and we were repaid approximately $12 million of principal of loans held at fair value by our applicable borrowers. As of December 31, 2020, only one of our loans held at fair value, which constituted approximately 6.0% of such loans, had floating interest rates. This floating rate is subject to a LIBOR floor of 2.5%. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

The following tables summarize our loans held at fair value as of December 31, 2020:

	As of December 31, 2020			
	Fair Value[(2)]	Carrying Value[(1)]	Outstanding Principal[(1)]	Weighted Average Remaining Life (Years)[(3)]
Senior Term Loan	$48,558,051	$46,994,711	$50,831,235	3.3
Total loans held at fair value	**$48,558,051**	**$46,994,711**	**$50,831,235**	**3.3**

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted purchase discount, deferred loan fees and loan origination costs.

(2) Refer to footnote 13 to our financial statements titled "*Fair Value*."

(3) Weighted average remaining life is calculated based on the fair value of the loans as of December 31, 2020.

The following table presents changes in loans held at fair value as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Fair Value
Loans acquired at July 31, 2020	$46,080,605	$(2,974,054)	$43,106,551
Realized gains / (losses) on loans at fair value, net	345,000	—	345,000
Change in unrealized gains/(losses) on loans at fair value, net	—	—	1,563,340
New fundings	16,360,000	(1,595,199)	14,764,801
Repayments	(5,000,000)	—	(5,000,000)
Sale of loans	(7,345,000)	—	(7,345,000)
Accretion of original issue discount	—	732,729	732,729
PIK Interest	390,630	—	390,630
Total loans held at fair value at December 31, 2020	**$50,831,235**	**$(3,836,524)**	**$48,558,051**

As of December 31, 2020, our portfolio included three loans held at carrying value. The aggregate originated commitment under these loans was approximately $44.0 million and outstanding principal was approximately $33.9 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, we funded approximately $33.9 million of outstanding principal. As of December 31, 2020, only one of our loans held at carrying value, which constituted approximately 35% of such loans, had a floating interest rate. This floating rate is subject to s LIBOR floor of 1.0%, calculated based only on loans with LIBOR floors. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

The following tables summarize our loans held at carrying value as of December 31, 2020:

	As of December 31, 2020			
	Outstanding Principal(1)	Original Issue Discount	Carrying Value(1)	Weighted Average Remaining Life (Years)(2)
Senior Term Loan	$33,907,763	$(2,070,732)	$31,837,031	4.7
Total loans held at carrying value	**$33,907,763**	**$(2,070,732)**	**$31,837,031**	**4.7**

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount and loan origination costs

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of December 31, 2020

The following table presents changes in loans held at carrying value as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Carrying Value
Loans at July 31, 2020	$ —	$ —	$ —
New Fundings	33,875,985	(2,120,969)	31,755,016
Accretion of original issue discount	—	50,237	50,237
PIK Interest	31,778	—	31,778
Total loans held at carrying value at December 31, 2020	**$33,907,763**	**$(2,070,732)**	**$31,837,031**

As of December 31, 2020, our portfolio included one loan receivable at carrying value. The originated commitment under this loan was approximately $4.0 million and outstanding principal was approximately $3.4 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, we received repayments of approximately $0.35 million of outstanding principal.

The following table presents changes in loans receivable as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Carrying Value
Loan receivable acquired at July 31, 2020	$3,700,718	$(4,428)	$3,696,290
Principal repayment of loans	(348,542)	—	(348,542)
Accretion of original issue discount	—	515	515
Total loans receivable at carrying value at December 31, 2020	**$3,352,176**	**$(3,913)**	**$3,348,263**

We may make modifications to loans, including loans that are in default. Loan terms that may be modified include interest rates, required prepayments, maturity dates, covenants, principal amounts and other loan terms. The terms and conditions of each modification vary based on individual circumstances and will be determined on a case by case basis. Our Manager monitors and evaluates each of our loans held for investment and has maintained regular communications with borrowers regarding the potential impacts of the COVID-19 pandemic on our loans.

Key Financial Measures and Indicators

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

Distributable Earnings and Adjusted Distributable Earnings

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

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

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

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

	For the period from July 31, 2020(date of commencement of operations) to December 31, 2020
Net Income	$4,313,632
Adjustments to net income	
Non-cash equity compensation expense	—
Incentive Compensation to Manager [(1)]	—
Depreciation and amortization	—
Unrealized (gain), losses or other non-cash items	(1,563,340)
Provision for current expected credit loss	465,397
One-time events pursuant to changes in GAAP and certain non-cash charges	—

Distributable Earnings	**$3,215,689**
Adjustments to Distributable Earnings	
Certain organizational expenses	616,190
Adjusted Distributable Earnings	**$3,831,879**
Basic weighted average shares of common stock outstanding (in shares)	5,694,475
Adjusted Distributable Earnings per weighted Average Share	**$0.67**

(1) Our Manager agreed to waive the Incentive Compensation for the period from July 31, 2020 (date of commencement of operations) through December 31, 2020, which was approximately $479.166 thousand for the period.

Book Value Per Share

We believe that book value per share is helpful to stockholders in evaluating our growth as we scale our equity capital base and continue to invest in our target investments. The book value per share of our common stock as of December 31, 2020 was approximately $14.83 on a post-split basis.

Dividends Declared Per Share

For the period from July 31, 2020 (date of commencement of operations) through December 31, 2020, we declared (i) a regular cash dividend of $0.35 per share of our common stock, relating to the period since our inception through the fourth quarter of 2020, to be paid on December 30, 2020 to stockholders of record as of December 23, 2020 and (ii) a special cash dividend of approximately $0.26 per share of our common stock to be paid on December 30, 2020 to stockholders of record as of December 23, 2020. The total amount of the regular cash dividend payment and the special cash dividend payment was approximately $2.2 million and $1.6 million, respectively. The payment of these dividends, including the special cash dividend, is not indicative of our ability to pay such dividends in the future.

Liquidity and Capital Resources

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

Our primary sources of cash generally consist of unused borrowing capacity under our financing sources, the net proceeds of future offerings, payments of principal and interest we receive on our portfolio of assets and cash generated from our operating results. We expect that our primary sources of financing will be, to the extent available to us, through (a) credit facilities and (b) public and private offerings of our equity and debt securities. In the future, we may utilize other sources of financing to the extent available to us. As the cannabis industry continues to evolve and to the extent that additional states legalize cannabis, the demand for capital continues to increase as operators seek to enter and build out new markets. We expect the principal amount of the loans we originate to increase and that we will need to raise additional equity and/or debt funds to increase our liquidity in the near future.

As of December 31, 2020, all of our cash was unrestricted and totaled approximately $9.6 million. As of February 15, 2021, all of our cash was unrestricted and totaled approximately $8.9 million, due to commitments funded subsequent to December 31, 2020.

The sources of financing for our target investments are described below.

Revolving Credit Facility

Pursuant to the Secured Revolving Credit Agreement, dated August 18, 2020 (as may be amended, supplemented, amended and restated or otherwise modified from time to time, the "Revolving Credit Agreement"), by and among our Company, as borrower, AFC Finance, LLC, an entity wholly-owned by our Sponsor, and Gamma Lending Holdco LLC, an entity controlled by Jonathan Kalikow, our Head of Real Estate and one of our directors, and his father, each as lenders, and AFC Finance, LLC, as agent, our Revolving Credit Facility provides revolving loan commitments of up to $40.0 million (of which AFC Finance, LLC has provided $30.0 million in commitments, and Gamma Lending Holdco LLC has provided $10.0 million in commitments) and bears interest at a fixed rate of 8% per annum, payable in cash in arrears. As of February 15, 2021, we did not have any borrowings outstanding under our Revolving Credit Facility. Future proceeds under the Revolving Credit Facility are available to fund loans and bridge capital contributions and for general corporate purposes. We did not incur any fees or costs related to the origination of the Revolving Credit Facility and we are not required to pay any commitment fees under the Revolving Credit Agreement. Our obligations under the Revolving Credit Agreement and the other loan documents delivered in connection therewith are secured by a first priority security interest in substantially all of our existing and future assets. The maturity date of the Revolving Credit Facility is the earlier of (i) July 31, 2021 and (ii) the closing date of any credit facility where the proceeds are incurred to refund, refinance or replace the Revolving Credit Agreement with an aggregate principal amount equal to or greater than $50.0 million (any such financing, a "Refinancing Credit Facility"). The Revolving Credit Agreement provides for certain covenants, including requiring us to deliver financial information and any notices of default, and conducting business in the normal course. To the best of our knowledge, as of February 15, 2021, we were in compliance in all material respects with all covenants contained in our Revolving Credit Agreement. In addition, the Revolving Credit Agreement contains customary events of default. In the case of an event of default, the lenders may terminate the commitments under the secured revolving credit facility and require immediate repayment of all outstanding borrowings. Such termination and acceleration will occur automatically in the event of certain bankruptcy events.

Other Credit Facilities, Warehouse Facilities and Repurchase Agreements

In the future, we may also use other sources of financing to fund the origination or acquisition of our target investments, including other credit facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized and may involve one or more lenders. We expect that these facilities will typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates.

Capital Markets

We may seek to raise further equity capital and issue debt securities in order to fund our future investments in loans.

Cash Flows

The following table sets forth changes in cash, cash equivalents and restricted cash for the period from July 31, 2020 to December 31, 2020:

	Period from July 31, 2020 to December 31, 2020
Net Income / (loss)	$4,313,632
Adjustments to reconcile net income / (loss) to net cash provided by / (used in) operating activities	2,794,776
Net cash provided by / (used in) operating activities	1,518,856
Net cash provided by / (used in) investing activities	(32,426,275)
Net cash provided by / (used in) financing activities	40,531,239
Change in cash, cash equivalents and restricted cash	**$9,623,820**

During the period from July 31, 2020 to December 31, 2020, cash, cash equivalents and restricted cash increased by approximately $9.6 million.

Net Cash Used in Operating Activities

For the period from July 31, 2020 to December 31, 2020, net cash used in operating activities totaled approximately $1.5 million. For the period from July 31, 2020 to December 31, 2020, adjustments to net income related to operating activities primarily included net change in unrealized gain on loans at fair value of approximately $1.6 million, realized gains on loans at fair value of approximately $0.4 million accretion of deferred loan original issue discount and other discounts of approximately $0.8 million and change in other assets and liabilities of approximately $0.1 million.

Net Cash Used in Investing Activities

For the period from July 31, 2020 to December 31, 2020, net cash used in investing activities totaled approximately $32.4 million. The net cash used in investing activities was primarily a result of the cash used for the origination and funding of loans held for investment of approximately $46.8 million exceeding the cash received from principal repayment of loans held for investment of approximately $5.3 million, cash received from the sale of Assigned Rights of approximately $1.6 million, and cash from the sale of loans held for sale of approximately $7.3 million for the period from July 31, 2020 to December 31, 2020.

Net Cash Provided by Financing Activities

For the period from July 31, 2020 to December 31, 2020, net cash provided by financing activities totaled approximately $40.5 million and related to proceeds from the issuance of our common stock of approximately $44.2 million, less approximately $3.8 million in dividends paid.

Contractual Obligations and Other Commitments

Our contractual obligations as of December 31, 2020 are as follows:

	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Unfunded Commitments	$19,825,119	—	—	—	$19,825,119
Total	**$19,825,119**	**—**	**—**	**—**	**$19,825,119**

As of December 31, 2020, all unfunded commitments were due in less than one year.

We may enter into certain contracts that may contain a variety of indemnification obligations. The maximum potential future payment amount we could be required to pay under these indemnification obligations may be unlimited.

Off-Balance Sheet Arrangements

Off-balance sheet commitments consist of unfunded commitments on delayed draw loans. Other than as set forth in this annual report, we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose entities or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intend to provide additional funding to any such entities.

Leverage Policies

We currently do not intend to have leverage of more than one times equity and intend to have substantially less drawn on any revolving credit agreements than available commitments under those agreements. Although we are not required to maintain any particular leverage ratio, we expect to employ prudent amounts of leverage and, when appropriate, to use debt as a means of providing additional funds for the acquisition of loans, to refinance existing debt or for general corporate purposes. Leverage is primarily used to provide capital for forward commitments until additional equity is raised or additional medium- to long-term financing is arranged. This policy is subject to change by management and our Board.

Dividends

We will elect to be taxed as a REIT for United States federal income tax purposes and, as such, anticipate annually distributing to our stockholders at least 90% of our REIT taxable income, prior to the deduction for dividends paid and our net capital gain. If we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of (i) 85% of our ordinary income for the calendar year, (ii) 95% of our capital gain net income for the calendar year and (iii) any Required Distribution to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. The stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If we determine that our estimated current year taxable income (including net capital gain) will be in excess of estimated dividend distributions (including capital gains dividends) for the current year from such income, we accrue excise tax on a portion of the estimated excess taxable income as such taxable income is earned.

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

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to fluctuations in interest rates. Our loans are typically valued using a yield analysis, which is typically performed for non-credit impaired loans to borrowers. Changes in market yields may change the fair value of certain of our loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of our loans, however this is mitigated to the extent our loans bear interest at a floating rate. As of December 31, 2020, a decrease of 50 bps or increase of 50 bps of the market yield would have resulted in a change in unrealized gain / (loss) of approximately $0.4 million and $(0.4) million, respectively. As of December 31, 2020, we had two floating-rate loans, representing approximately 16.9% of our loan portfolio based on aggregate outstanding principal balances, subject to a weighted average LIBOR floor of approximately 1.3% with LIBOR quoted as 0.14%. We estimate that a hypothetical 100 basis points increase in LIBOR would result in an increase in annual interest income of approximately $17,000 and a decrease in LIBOR would not affect our interest income due to the LIBOR floor on our loans. This assumes that the weighted average LIBOR floor of our floating-rate loans remains at 1.3%.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP which requires the use of estimates and assumptions that involve the exercise of judgment as to future uncertainties. In accordance with SEC guidance, the following discussion addresses the accounting policies that we believe apply to us based on the nature of our initial operations. Our most critical accounting policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments used to prepare our financial statements are based upon reasonable assumptions given the information available to us at that time. Our critical accounting policies and accounting estimates will be expanded over time as we fully implement our strategy. Those accounting policies and estimates that we believe are most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below.

Loans Held at Fair Value

We originate commercial real estate debt and related instruments generally to be held for investment. Although we generally hold our target investments as long-term loans, we may occasionally classify some of our loans as held for sale. We may carry our loans at fair value or amortized cost in our balance sheet. As of December 31, 2020, all loans held for investment and all loans held for sale were carried at fair value within loans held at fair value in our balance sheets, with changes in fair value recorded through earnings. Refer to footnote 12 to our financial statements for more information on the valuations of the loans.

Loans are generally collateralized by real estate, equipment, licenses and/or other assets of borrowers. The extent of any credit deterioration associated with the performance and/or value of the underlying collateral property and the financial and operating capability of the borrower could impact the expected amounts received. We monitor performance of our loans held for investment portfolio under the following methodology: (i) borrower review, which analyzes the borrower's ability to execute on its original business plan, reviews its financial condition, assesses pending litigation and considers its general level of responsiveness and cooperation; (ii) economic review, which considers underlying collateral (i.e. leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service, as well as the residual loan balance at maturity); (iii) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (iv) market review, which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective.

We accrete or amortize any discounts or premiums on loans held for investment over the life of the related loan held for investment utilizing the effective interest method.

We follow ASC 825-10, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASC 825-10"), which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. We have elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "prepaid expenses and other assets," "loans receivable" and "interest reserve," which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled "interest receivable," "accrued management fees," "accrued direct administrative expenses" and "accounts payable and other liabilities" approximate fair value due to their short maturity.

We also follow ASC 820-10, Fair Value Measurements and Disclosures ("ASC 820-10"), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 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. ASC 820-10 requires us to assume that the loan is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, we have considered its principal market as the market in which we exit our investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

If inputs used to measure fair value fall into different levels of the fair value hierarchy, a loan's level is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the loan. This includes loans that are valued using "bid" and "ask" prices obtained from independent third-party pricing services or directly from brokers.

Financial instruments with readily available quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value. As such, we obtain and analyze readily available market quotations provided by pricing vendors and brokers for all of our loans for which quotations are available. In determining the fair value of a particular loan, pricing vendors and brokers use observable market information, including both binding and non-binding indicative quotations.

GAAP requires disclosure of fair value information about financial and nonfinancial assets and liabilities, whether or not recognized in the financial statements, for which it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based upon the application of discount rates to estimated future cash flows using market yields, or other valuation methodologies. Any changes to the valuation methodology will be reviewed by our management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while we anticipate that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial and nonfinancial assets and liabilities could result in a different estimate of fair value at the reporting date. We use inputs that are current as of the measurement date, which may fall within periods of market dislocation, during which price transparency may be reduced.

CECL Allowance

We estimates our CECL Reserve using a model that considers multiple datapoints and methodologies that may include the likelihood of default and expected loss given default for each individual loan, discounted cash flows ("DCF"), and other inputs which may include the risk rating of the loan, how recently the loan was originated compared to the measurement date, and expected prepayment if applicable. Calculation of the CECL Reserve requires loan specific data, which includes fixed charge coverage ratio, loan-to-value, property type and geographic location. Estimating the CECL Reserve also requires significant judgment with respect to various factors, including (i) the appropriate historical loan loss reference data, (ii) the expected timing of loan repayments, (iii) calibration of the likelihood of default to reflect the risk characteristics of our loan portfolio and (iv) our current and future view of the macroeconomic environment. We may consider loan-specific qualitative factors on certain loans to estimate our CECL Reserve, which may include (i) whether cash from the borrower's operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan and (iii) the liquidation value of collateral. For loans where we have deemed the borrower/sponsor to be experiencing financial difficulty, we may elect to apply a practical expedient in which the fair value of the underlying collateral is compared to the amortized cost of the loan in determining a CECL Allowance for the specific loan. In order to estimate the future expected loan losses relevant to our portfolio, we may consider historical market loan loss data provided by a third-party data service. The third party's loan database includes historical loss data for commercial mortgage-backed securities which we believe is a reasonably comparable and available data set to our type of loans. We utilized macroeconomic data that reflects a current recession; however, the short and long-term economic implications of the COVID-19 pandemic and its financial impact on us are highly uncertain. The CECL Reserve takes into consideration the macroeconomic impact of the COVID-19 pandemic on commercial real estate and is not specific to any loan losses or impairments on our loans held for investment.

Current Expected Credit Loss Reserve for Funded Loan Commitments

Activity related to the CECL Reserve for outstanding balances on our loans held at carrying value and loans receivable at carrying value as of and for the period from July 31, 2020 to December 31, 2020 was as follows:

Balance at July 31, 2020 (Commencement of Operations)	$ —
Provision for current expected credit losses	404,860
Write-offs	—
Recoveries	—
Balance at December 31, 2020[(1)]	**$404,860**

(1) As of December 31, 2020, the CECL Reserve related to outstanding balances on loans at carrying value and loans receivable at carrying value is recorded within current expected credit loss reserve in our balance sheet.

Current Expected Credit Loss Reserve for Unfunded Loan Commitments

Activity related to the CECL Reserve for unfunded commitments on our loans held at carrying value as of and for the period from July 31, 2020 to December 31, 2020 was as follows:

Balance at July 31, 2020 (Commencement of Operations)	$ —
Provision for current expected credit losses	60,537
Write-offs	—
Recoveries	—
Balance at December 31, 2020[(1)]	**$60,537**

(1) As of December 31, 2020, the CECL Reserve related to unfunded commitments on loans held at carrying value is recorded within other liabilities in our consolidated balance sheets.

Refer to footnote 6 to our financial statements titled "Current Expected Credit Losses" for more information on CECL.

Risk Ratings

We continuously evaluate the credit quality of each loan by assessing the risk factors of each loan and assigning a risk rating based on a variety of factors. Risk factors include property type, geographic and local market dynamics, physical condition, projected cash flow, loan structure and exit plan, loan-to-value ratio, fixed charge coverage ratio, project sponsorship, and other factors deemed necessary. Based on a 5-point scale, our loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

Rating	**Definition**
1	Very Low Risk
2	Low Risk
3	Medium Risk
4	High Risk/ Potential for loss
5	Impaired/Loss Likely

The risk ratings are primarily based on historical data as well as taking into account future economic conditions.

As of December 31, 2020, the carrying value, excluding the CECL Reserve, of loans held at carrying value and loans receivable at carrying value within each risk rating by year of origination is as follows:

Risk Rating	2020	Total
1	$ —	$ —
2	9,816,327	9,816,327
3	22,020,704	22,020,704
4	3,348,263	3,348,262
5	—	—
Total	**$35,185,294**	**$35,185,294**

Stock Option Valuation

During the period commencing July 31, 2020 through December 31, 2020, we granted 926,898 options at a weighted average exercise price of approximately $14.80 per share, under the 2020 Stock Incentive Plan on August 29, 2020. We estimated the grant date fair market value of each of these awards at zero dollars per share, as unless our common stock became listed or quoted on a recognized national securities exchange, the options would not have been exercisable and would have expired worthless. Due to the uncertain and contingent nature of the options, it could not be determined more likely than not that such listing or quotation would occur and therefore no fair market value could be determined on the applicable grant date.

The following table summarizes the (i) non-vested options granted, (ii) vested options granted and (iii) forfeited options granted to certain of our directors and officers as well as employees of our Manager as of December 31, 2020 on a post-split basis:

	Restricted Stock Options Granted
Non-vested	142,814
Vested	800,618
Forfeited	(16,534)
Balance at December 31, 2020	**926,898**

The options granted to Mr. Tannenbaum, Mrs. Tannenbaum, Thomas L. Harrison, Alexander C. Frank, Tomer J. Tzur, Jodi Hanson Bond, Robert Levy and our former directors under the 2020 Stock Incentive Plan vest at the time of such grant, and the options granted to all other participants under the 2020 Stock Incentive Plan vest over a four-year period with approximately 33% vesting on each of the second, third and fourth anniversaries of the vesting commencement date, subject to the continued service by such participant.

Revenue Recognition

Interest income from loans is accrued based on the outstanding principal amount and the contractual terms of each loan. Revenue from OID is also recognized in interest income from loans over the initial loan term as a yield adjustment using the effective interest method. Delayed draw loans earn interest or unused fees on the undrawn portion of the loan, which is recognized as interest income in the period earned. Other fees, including prepayment fees and exit fees, are also recognized as interest income when received. Any such fees will be generated in connection with our investments and recognized as earned in accordance with GAAP.

Payment-in-Kind Interest

We have loans in our portfolio that contain PIK provisions. The PIK interest computed at the contractual rate specified in each applicable agreement, is accrued and added to the principal balance of the loan and recorded as interest income. The PIK interest added to the principal balance is typically amortized and paid in accordance with the loan agreements. In cases where the loans do not amortize, the PIK interest is collected and recognized upon repayment of the outstanding principal. To maintain our status as a REIT, this non-cash source of income must be paid out to stockholders in the form of dividends for the year earned, even though we have not yet collected the cash.

Net Interest Margin and Interest Expense

Net interest margin in our statement of operations serves to measure the performance of our loans held for investment as compared to our use of debt leverage.

Income Taxes

We are a Maryland corporation and will elect to be taxed as a REIT under the Code, commencing with our taxable year ending December 31, 2020. We believe that our proposed method of operation will enable us to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on us satisfying numerous asset, income and distribution tests which depends, in part, on our operating results.

To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute annually to our stockholders at least 90% of our REIT taxable income prior to the deduction for dividends paid and our net capital gain. To the extent that we distribute less than 100% of our REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), we will pay tax at regular corporate rates on that undistributed portion. Furthermore, if we distribute less than the sum of 1) 85% of our ordinary income for the calendar year, 2) 95% of our capital gain net income for the calendar year, and 3) any Required Distributions to our stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then we are required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if we elect to retain any of our net capital gain for any tax year, we must notify our stockholders and pay tax at regular corporate rates on the retained net capital gain. The stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that our estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense is included in the line item income tax expense.

FASB ASC Topic 740, Income Taxes ("ASC 740"), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We have analyzed our various federal and state filing positions and believe that our income tax filing positions and deductions are well documented and supported as of December 31, 2020. Based on our evaluation, there is no reserve for any uncertain income tax positions. Accrued interest and penalties, if any, are included within other liabilities in the balance sheets.

JOBS Act Accounting Election

As an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We intend to rely on other exemptions provided by the JOBS Act, including without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of Sarbanes-Oxley. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the consummation of an initial public offering, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

AFC Gamma, Inc.

Audited Financial Statements
For the period from July 31, 2020 (date of commencement of operations) to December 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
AFC Gamma, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheet of AFC Gamma, Inc. as of December 31, 2020, and the related statements of operations, equity, and cash flows for the period July 31, 2020 (date of commencement of operations) to December 31, 2020, 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 AFC Gamma, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the period July 31, 2020 (date of commencement of operations) to December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 AFC Gamma, Inc.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 audit 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. AFC Gamma, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit 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 entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

Emphasis of Matter

As further described in Note 10, AFC Gamma, Inc. is subject to significant risks and uncertainties due to originating, structuring, underwriting and managing senior secured loans and other types of loans for established cannabis industry operators.

/s/ CohnReznick LLP

We have served as AFC Gamma Inc.'s auditor since 2020.

Chicago, Illinois
February 23, 2021

AFC Gamma, Inc.
Balance Sheet
As of December 31, 2020

	December 31, 2020
Assets	
Loans held for investment at fair value (cost of $46,994,711,net)	$48,558,051
Loans held for investment at carrying value	31,837,031
Loan receivable at carrying value	3,348,263
Current expected credit loss reserve	(404,860)
Loans held for investment at carrying value and loan receivable at carrying value, net of current expected credit loss reserve	34,780,434
Cash and cash equivalents	9,623,820
Interest receivable	927,292
Prepaid expenses and other assets	72,095
Total assets	**$93,961,692**
Liabilities	
Interest reserve	$1,325,750
Accrued management fees	222,127
Accrued direct administrative expenses	550,671
Accounts payable and other liabilities	215,432
Total liabilities	**2,313,980**
Stockholders' Equity	
Preferred stock, par value $0.01 per share, 10,000 shares authorized at December 31, 2020 and 125 shares issued and outstanding at December 31, 2020	1
Common stock, par value $0.01 per share, 15,000,000 shares authorized at December 31, 2020 and 6,179,392 shares issued and outstanding at December 31, 2020	61,794
Additional paid-in-capital	91,068,197
Accumulated earnings	517,720
Total stockholders' equity	**91,647,712**
Total liabilities and stockholders' equity	**$93,961,692**

(See Notes to the Financial Statements)

AFC Gamma, Inc.
Statement of Operations
For the period from July 31, 2020 (date of commencement of operations) to December 31, 2020

	Period from July 31, 2020 to December 31, 2020
Revenue	
Interest Income	$5,250,108
Total revenue	**5,250,108**
Expenses	
Management fees, net (less rebate of $259,167)	364,194
General and administrative expense	785,016
Organizational expense	616,190
Professional fees	614,019
Total expenses	**2,379,419**
Provision for current expected credit losses	(465,397)
Realized gains / (losses) on loans at fair value, net	345,000
Change in unrealized gains / (losses) on loans at fair value, net	1,563,340
Net income before income taxes	**4,313,632**
Income tax expense	—
Net income	**$4,313,632**
Earnings per common share:	
Basic earnings per common share (in dollars per share)	$0.76
Weighted average number of common shares outstanding:	
Basic weighted average shares of common stock outstanding (in shares)	5,694,475

(See Notes to the Financial Statements)

AFC Gamma, Inc.
Statement of Stockholders' Equity
For the period from July 31, 2020 (date of commencement of operations) to December 31, 2020

	Preferred Stock	Common Stock		Additional Paid-In-Capital	Accumulated Earnings	Total Stockholders' Equity
		Shares	Amount			
Balance at July 31, 2020 (commencement of operations)	$ —	—	$ —	$ —	$ —	$ —
Issuance of common stock, net of offering cost	—	6,179,392	61,794	90,967,139	—	91,028,933
Issuance of preferred stock, net of offering cost	1	—	—	101,058	—	101,059
Dividends declared and paid on common shares ($0.61 per share)	—	—	—	—	(3,795,912)	(3,795,912)
Net income	—	—	—	—	4,313,632	4,313,632
Balance at December 31, 2020	$ 1	6,179,392	$61,794	$91,068,197	$517,720	$91,647,712

(See Notes to the Financial Statements)

AFC Gamma, Inc.
Statement of Cash Flows
For the period from July 31, 2020 (date of commencement of operations) to December 31, 2020

	Period from July 31, 2020 to December 31, 2020
Operating activities:	
Net income	$4,313,632
Adjustments to reconcile net income / (loss) to net cash provided by / (used in) operating activities:	
Provision for current expected credit losses	465,397
Realized gain on sale of loans at fair value	(345,000)
Change in unrealized gains / (losses) on loans at fair value, net	(1,563,340)
Accretion of deferred loan original issue discount and other discounts	(783,481)
PIK interest	(422,408)
Changes in operating assets and liabilities	
Interest reserve	(74,250)
Interest receivable	(927,292)
Prepaid expenses and other assets	(72,095)
Accrued management fees, net	222,127
Accrued direct administrative expenses	550,671
Accounts payable and other liabilities	154,895
Net cash provided by / (used in) operating activities	**1,518,856**
Cash flows from investing activities:	
Issuance of and fundings on loans	(46,769,285)
Proceeds from sales of Assigned Rights	1,649,468
Principal repayment of loans	5,348,542
Proceeds from sales of loans	7,345,000
Net cash provided by / (used in) investing activities	**(32,426,275)**
Cash flows from financing activities:	
Issuance of common stock	44,226,092
Issuance of preferred stock	101,059
Dividends paid	(3,795,912)
Net cash provided by / (used in) financing activities	**40,531,239**
Change in cash, cash equivalents and restricted cash	**9,623,820**
Cash, cash equivalents and restricted cash, beginning of period	—

Cash, cash equivalents and restricted cash, end of period		**$9,623,820**
Supplemental disclosure of non-cash financing and investing activity		
Loans acquired for issuance of shares of common stock		**$46,802,841**
Interest reserve withheld from funding of loan		**$1,400,000**
Supplemental information:		
Interest paid during the period	**$**	**—**
Income taxes paid during the period	**$**	**—**

(See Notes to the Financial Statements)

1. ORGANIZATION

AFC Gamma, Inc. (the "Company" or "AFCG") is a commercial real estate ("CRE") finance company primarily engaged in originating, structuring, underwriting and managing senior secured loans and other types of loans. The Company was formed and commenced operations on July 31, 2020. The Company is a Maryland corporation and is externally managed by AFC Management, LLC ("AFC Management" or the Company's "Manager"), a Delaware limited liability company, pursuant to the terms of a management agreement (the "Management Agreement").

The Company operates as one operating segment and is primarily focused on financing senior secured loans and other types of loans for established cannabis industry operators in states where medical and / or adult use cannabis is legal. These loans are generally held for investment and are secured, directly or indirectly, by real estate, equipment, licenses and/or other assets of borrowers depending on the applicable laws and regulations governing such borrowers.

The Company will elect to be taxed as a real estate investment trust ("REIT") for United States federal income tax purposes under the Internal Revenue Code of 1986, as amended ("the "Code"), commencing with its taxable year ending December 31, 2020. The Company generally will not be subject to United States federal income taxes on its REIT taxable income as long as it annually distributes all of its REIT taxable income prior to the deduction for dividends paid to stockholders and complies with various other requirements as a REIT.

If, on the five-year anniversary of the Initial Closing Date, the Company is not a publicly traded company with its common stock listed on a Securities Exchange, then, subject to any required approvals by the Board and its stockholders, the Company will immediately take all necessary action to undertake an orderly liquidation and sale of its assets and will distribute any net sale proceeds therefrom, after the payment or adequate provision for all known debts and liabilities and any preferential rights of the holders of any then-outstanding shares of preferred stock, pro rata to the holders of common stock, following which the Company shall terminate and dissolve. Subject to applicable law, the Company intends to complete any such process of liquidation, termination and dissolution over a period of three to five years. In the event that the listing of the Company's common stock on a Securities Exchange occurs on or before the five-year anniversary of the Initial Closing Date, the Company shall have a perpetual existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with United States generally accepted accounting principles ("GAAP"). The financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the Company's results of operations and financial condition as of and for the periods presented.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include funds on deposit with financial institutions, including demand deposits with financial institutions. Cash and short-term investments with an original maturity of three months or less when acquired are considered cash and cash equivalents for the purpose of the balance sheet and statement of cash flows.

Restricted cash includes deposits required under certain Secured Funding Agreements. As of the balance sheet date, the Company did not have any restricted cash.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, loans and interest receivable. The Company places its cash and cash equivalents with financial institutions and, at times, cash held exceeds the Federal Deposit Insurance Corporation insured limit. The Company and the Company's Manager seek to manage this credit risk by monitoring the financial institutions and their ability to continue in business for the foreseeable future.

The Company has exposure to credit risk on its loans and interest receivable. The Company and the Company's Manager seek to manage credit risk by performing due diligence prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate.

Investments in Loans

The Company originates CRE debt and related instruments generally to be held for investment.

The Company accretes or amortizes any discounts or premiums on loans held for investment over the life of the related loan held for investment utilizing the effective interest method.

Loans are generally collateralized by real estate, equipment, licenses and/or other assets of borrowers. The extent of any credit deterioration associated with the performance and/or value of the underlying collateral property and the financial and operating capability of the borrower could impact the expected amounts received. The Company monitors performance of its portfolio of loans held for investment under the following methodology: (1) borrower review, which analyzes the borrower's ability to execute on its original business plan, reviews its financial condition, assesses pending litigation and considers its general level of responsiveness and cooperation; (2) economic review, which considers underlying collateral (i.e. leasing performance, unit sales and cash flow of the collateral and its ability to cover debt service, as well as the residual loan balance at maturity); (3) property review, which considers current environmental risks, changes in insurance costs or coverage, current site visibility, capital expenditures and market perception; and (4) market review, which analyzes the collateral from a supply and demand perspective of similar property types, as well as from a capital markets perspective.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed against interest income in the period the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding the borrower's ability to make pending principal and interest payments. Non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management's judgment, are likely to remain current. The Company may make exceptions to placing a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

The Company may make modifications to loans, including loans that are in default. Loan terms that may be modified include interest rates, required prepayments, maturity dates, covenants, principal amounts and other loan terms. The terms and conditions of each modification vary based on individual circumstances and will be determined on a case by case basis. The Company's Manager monitors and evaluates each of the Company's loans held for investment and has maintained regular communications with borrowers regarding the potential impacts of the COVID-19 pandemic on the Company's loans.

Loans Held at Fair Value

Investments in loans at fair value are carried at fair value in the Company's balance sheets, with changes in fair value recorded through earnings. Refer to footnote 14 for more information on the valuations of the investments.

Although the Company generally holds its target investments as long-term investments, the Company may occasionally classify some of its loans as held for sale. Investments held for sale are carried at fair value, with changes in fair value recorded through earnings.

Investment transactions are recorded on the trade date at cost, net of any original issue discounts. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized and/or accreted cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries.

An unrealized gain arises when the value the loan portfolio exceeds its cost and an unrealized loss arises when the value of the loan portfolio is less than its cost. The change in unrealized gains or losses primarily reflect the change in loan values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

Loans Held at Carrying Value

Investments in loans held at amortized cost are carried at cost, net of unamortized loan original issue discount and origination costs and other original issue discounts (the "carrying value") in the Company's balance sheets.

The Company follows ASC 842 for certain loans which are considered financial assets not eligible to elect the fair value option due to the structure of the loans. These loans are carried at cost, net of unamortized loan original issue discount and origination costs and other original issue discounts (the "carrying value") in the Company's balance sheets.

Fair Value Measurements

The Company follows ASC 825-10, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASC 825-10"), which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "prepaid expenses and other assets," "loans receivable" and "interest reserve", which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled "interest receivable," "accrued management fees," "accrued direct administrative expenses" and "accounts payable and other liabilities" approximate fair value due to their short maturity.

The Company also follows ASC 820-10, Fair Value Measurements and Disclosures ("ASC 820-10"), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 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. ASC 820-10 requires the Company to assume that the transaction is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its loans with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

If inputs used to measure fair value fall into different levels of the fair value hierarchy, a loan's level is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the loan. This includes loans that are valued using "bid" and "ask" prices obtained from independent third-party pricing services or directly from brokers.

Financial instruments with readily available quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value. As such, the Company obtains and analyzes readily available market quotations provided by pricing vendors and brokers for all of the Company's loans for which quotations are available. In determining the fair value of a particular loan, pricing vendors and brokers use observable market information, including both binding and non-binding indicative quotations.

GAAP requires disclosure of fair value information about financial and nonfinancial assets and liabilities, whether or not recognized in the financial statements, for which it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based upon the application of discount rates to estimated future cash flows using market yields, or other valuation methodologies. Any changes to the valuation methodology will be reviewed by the Company's management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Company anticipates that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial and nonfinancial assets and liabilities could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may fall within periods of market dislocation, during which price transparency may be reduced.

Current Expected Credit Losses

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard replaced the incurred loss impairment methodology pursuant to GAAP with a methodology that reflects current expected credit losses ("CECL") on both the outstanding balances and unfunded commitments on loans held for investment and requires consideration of a broader range of historical experience adjusted for current conditions and reasonable and supportable forecast information to inform credit loss estimates (the "CECL Reserve"). ASU No. 2016-13 was adopted by the Company on as of July 31, 2020, commencement of operations. Subsequent period increases and decreases to expected credit losses impact earnings and are recorded within provision for current expected credit losses in the Company's statement of operations. The CECL Reserve related to outstanding balances on loans held for investment required under ASU No. 2016-13 is a valuation account that is deducted from the amortized cost basis of the Company's loans held at carrying value and loans receivable at carrying value in the Company's balance sheet. The CECL Reserve related to unfunded commitments on loans held at carrying value is recorded within accounts payable and other liabilities in the Company's balance sheet. See Note 6 included in these financial statements for CECL related disclosures.

Equity-Based Compensation

The Company accounts for equity-based compensation issued to employees and the Board of Directors pursuant to the Amended and Restated Stock Incentive Plan (the "Stock Incentive Plan") under the fair value method. This method measures compensation cost at the date of grant based on the value of the award and recognizes the cost over the service period, which is usually the vesting period. The fair value of equity-based compensation awards is based on the estimated fair value of the Company's common stock, as determined by management using a valuation model and approved by the Board of Directors. Fair values of award grants also recognize any ongoing restrictions on the sale of securities.

Debt Issuance Costs

Debt issuance costs under the Company's indebtedness are capitalized and amortized over the term of the respective debt instrument. Unamortized debt issuance costs are expensed when the associated debt is repaid prior to maturity. Debt issuance costs related to debt securitizations are capitalized and amortized over the term of the underlying loans using the effective interest method. When an underlying loan is prepaid in a debt securitization and the outstanding principal balance of the securitization debt is reduced, the related unamortized debt issuance costs are charged to expense based on a pro-rata share of the debt issuance costs being allocated to the specific loans that were prepaid. Amortization of debt issuance costs is included within interest expense in the Company's statements of operations. For the period from July 31, 2020 (commencement of operations) to December 31, 2020, the Company did not have any debt issuance costs.

Payment-in-Kind Interest

The Company has loans in its portfolio that contain payment-in-kind ("PIK") provisions. The PIK interest computed at the contractual rate specified in each applicable agreement, is accrued and added to the principal balance of the loan monthly in arrears and recorded as interest income. The PIK income added to the principal balance is generally collected upon repayment of the outstanding principal. To maintain the Company's status as a REIT, this non-cash source of income must be paid out to stockholders in the form of dividends for the year earned, even though the Company has not yet collected the cash.

Revenue Recognition

Interest income from loans is accrued based on the outstanding principal amount and the contractual terms of each loan. For loans, origination fees, direct loan origination costs, and other discounts (in aggregate the "Original Issue Discount" or "OID") are also recognized in interest income from loans over the initial loan term as a yield adjustment using the effective interest method. Delayed draw loans earn interest or unused fees on the undrawn portion of the loan, which is recognized as interest income in the period earned. Other fees, including prepayment fees and exit fees, are recognized as interest income when received.

Interest reserves

The Company utilizes interest reserves on certain loans to fund the interest payments. Such reserves are established at the time of loan origination. The interest reserve represents a deposit received from the borrower for future loan interest payments. It 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 when the interest payment is due.

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

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

Net Interest Margin and Interest Expense

Net interest margin in the Company's statement of operations serves to measure the performance of the Company's loans held for investment as compared to its use of debt leverage. As of the balance sheet date, the Company had no interest expense.

Income Taxes

The Company is a Maryland corporation and will elect to be taxed as a REIT under the Code, commencing with its taxable year ending December 31, 2020. The Company believes that its proposed method of operation will enable it to qualify as a REIT. However, no assurances can be given that the Company's beliefs or expectations will be fulfilled, since qualification as a REIT depends on the Company satisfying numerous asset, income and distribution tests which depends, in part, on the Company's operating results.

To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that the Company distributes annually to its stockholders at least 90% of the Company's REIT taxable income prior to the deduction for dividends paid. To the extent that the Company distributes less than 100% of its REIT taxable income in any tax year (taking into account any distributions made in a subsequent tax year under Sections 857(b)(9) or 858 of the Code), the Company will pay tax at regular corporate rates on that undistributed portion. Furthermore, if the Company distributes less than the sum of 1) 85% of its ordinary income for the calendar year, 2) 95% of its capital gain net income for the calendar year, and 3) any undistributed shortfall from its prior calendar year (the "Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay a non-deductible excise tax equal to 4% of any shortfall between the Required Distribution and the amount that was actually distributed. The 90% distribution requirement does not require the distribution of net capital gains. However, if the Company elects to retain any of its net capital gain for any tax year, it must notify its stockholders and pay tax at regular corporate rates on the retained net capital gain. The stockholders must include their proportionate share of the retained net capital gain in their taxable income for the tax year, and they are deemed to have paid the REIT's tax on their proportionate share of the retained capital gain. Furthermore, such retained capital gain may be subject to the nondeductible 4% excise tax. If it is determined that the Company's estimated current year taxable income will be in excess of estimated dividend distributions (including capital gain dividend) for the current year from such income, the Company accrues excise tax on estimated excess taxable income as such taxable income is earned. The annual expense is calculated in accordance with applicable tax regulations. Excise tax expense is included in the line item income tax expense.

FASB ASC Topic 740, Income Taxes ("ASC 740"), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported as of December 31, 2020. Based on the Company's evaluation, there is no reserve for any uncertain income tax positions. Accrued interest and penalties, if any, are included within other liabilities in the balance sheets.

Earnings per Share

The Company calculates basic earnings / (loss) per share by dividing net income / (loss) allocable to common stockholders for the period by the weighted average shares of common stock outstanding for that period after consideration of the earnings / (loss) allocated to the Company's restricted stock, which are participating securities as defined in GAAP. Diluted earnings / (loss) per share takes into effect any dilutive instruments, such as restricted stock, RSUs and convertible debt, except when doing so would be anti-dilutive. As of December 31, 2020, there were no dilutive instruments. See Note 11 included in these financial statements for the earnings per share calculations.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include the valuation of investments.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU No. 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of adopting this ASU on its financial statements.

In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848):Scope, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU No. 2021-01is effective immediately for all entities. An entity may elect to apply the amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final Update, up to the date that financial statements are available to be issued. If an entity elects to apply any of the amendments for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date the entity applies the election. The do not apply to contract modifications made after December 31, 2022, new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship (including periods after December 31, 2022). The Company is currently evaluating the impact, if any, of this ASU on its financial statements.

In October 2020, the FASB issued ASU No. 2020-08, Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs, which is an update to clarify that an entity should reevaluate whether a callable debt security is within the scope of 310-20-35-33 for each reporting period. ASU 2020-08 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. For all other entities, the amendments in ASU No. 2020-08 are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted for all other entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. All entities should apply the amendments in this Update on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. The Company is currently evaluating the impact, if any, of adopting this ASU on its financial statements.

3. LOANS HELD FOR INVESTMENT AT FAIR VALUE

As of December 31, 2020, the Company's portfolio included four loans held at fair value. The aggregate originated commitment under these loans was approximately $59.9 million and outstanding principal was approximately $50.8 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, the Company funded approximately $16.4 million of outstanding principal and was repaid approximately $12 million of principal. As of December 31, 2020, approximately 6.0% of the Company's loans held at fair value have floating interest rates. These floating rates are subject to London Interbank Offered Rate ("LIBOR") floors, with a weighted average floor of 2.5%, calculated based on loans with LIBOR floors. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

The following tables summarize the Company's loans held at fair value as of December 31, 2020:

	Fair Value(2)	Carrying Value(1)	Outstanding Principal(1)	Weighted Average Remaining Life (Years)(3)
Senior Term Loans	$48,558,051	$46,994,711	$50,831,235	3.3
Total loans held at fair value	**$48,558,051**	**$46,994,711**	**$50,831,235**	**3.3**

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted purchase discount, deferred loan fees and loan origination costs

(2) Refer to Footnote 14

(3) Weighted average remaining life is calculated based on the fair value of the loans as of December 31, 2020

The following table presents changes in loans held at fair value as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Fair Value
Loans acquired at July 31, 2020	$46,080,605	$(2,974,054)	$43,106,551
Realized gains / (losses) on loans at fair value, net	345,000	—	345,000
Change in unrealized gains / (losses) on loans at fair value, net	—	—	1,563,340
New fundings	16,360,000	(1,595,199)	14,764,801
Repayments	(5,000,000)	—	(5,000,000)
Sale of loans	(7,345,000)	—	(7,345,000)
Accretion of original issue discount	—	732,729	732,729
PIK Interest	390,630	—	390,630
Total loans held at fair value at December 31, 2020	**$50,831,235**	**$(3,836,524)**	**$48,558,051**

A more detailed listing of the Company's loans held at fair value portfolio based on information available as of December 31, 2020 is as follows:

	Location	Fair Value(2)	Carrying Value(1)	Outstanding Principal(1)	Interest Rate	Maturity Date(3)	Payment Terms(4)
Private Co. A	Multi State	$31,510,387	$30,913,524	$33,344,325	17.0%(5)	5/8/2024	P/I
Private Co. B	MI	2,461,036	2,238,402	2,522,846	17.0%(6)	9/1/2023	P/I
Public Co. A	NV	2,870,910	2,909,656	2,940,000	10.5%(7)	6/27/2021	I/O
Sub. Of Public Co. C	FL	11,715,718	10,933,129	12,024,064	18.0%(8)	2/18/2025	P/I
Total loans held at fair value		**$48,558,051**	**$46,994,711**	**$50,831,235**			

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount and loan origination costs

(2) Refer to Footnote 14

(3) Certain loans are subject to contractual extension options and may be subject to performance based or other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without paying a prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

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

(5) Base interest rate of 13% and PIK interest rate of 4%

(6) Base interest rate of 13% and PIK interest rate of 4%

(7) Base interest rate of 8% plus LIBOR (LIBOR floor of 2.5%)

(8) Loan to Subsidiary of Public Company C is a $15 million aggregate loan commitment with an initial funding of $3 million at a base interest rate of 13.5% and PIK interest rate of 3% and subsequent advances of $9 million at a base interest rate of 19%. The weighted average interest rate is 18.0% at December 31, 2020

4. LOANS HELD FOR INVESTMENT AT CARRYING VALUE

As of December 31, 2020, the Company's portfolio included three loans held at carrying value. The aggregate originated commitment under these loans was approximately $44 million and outstanding principal was approximately $33.9 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, the Company funded approximately $33.9 million of outstanding principal. As of December 31, 2020, approximately 35% of the Company's loans held at carrying value have floating interest rates. These floating rates are subject to London Interbank Offered Rate ("LIBOR") floors, with a weighted average floor of 1%, calculated based on loans with LIBOR floors. References to LIBOR or "L" are to 30-day LIBOR (unless otherwise specifically stated).

The following tables summarize the Company's loans held at carrying value as of December 31, 2020:

	Outstanding Principal(1)	Original Issue Discount	Carrying Value(1)	Weighted Average Remaining Life (Years)(2)
Senior Term Loans	$33,907,763	$(2,070,732)	$31,837,031	4.7
Total loans held at carrying value	**$33,907,763**	**$(2,070,732)**	**$31,837,031**	**4.7**

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted original issue discount and loan origination costs

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of December 31, 2020

The following table presents changes in loans held at carrying value as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Carrying Value
Loans at July 31, 2020	$ —	$ —	$ —
New fundings	33,875,985	(2,120,969)	31,755,016
Accretion of original issue discount	—	50,237	50,237
PIK Interest	31,778	—	31,778
Total loans held at carrying value at December 31, 2020	**$33,907,763**	**$(2,070,732)**	**$31,837,031**

A more detailed listing of the Company's loans held at carrying value portfolio based on information available as of December 31, 2020 is as follows:

	Location	Outstanding Principal(1)	Original Issue Discount	Carrying Value(1)	Interest Rate	Maturity Date(2)	Payment Terms(3)
Private Co. C	PA	$11,907,763	$(851,148)	$11,056,615	17.0%(4)	12/1/2025	P/I
Private Co. D	Multi State	12,000,000	(1,035,911)	10,964,089	15.0%(5)	1/1/2026	P/I
Sub. of Public Co. D	PA	10,000,000	(183,673)	9,816,327	12.9%(6)	12/18/2024	I/O
Total loans held at carry value		**$33,907,763**	**$(2,070,732)**	**$31,837,031**			

(1) The difference between the Carrying Value and the Outstanding Principal amount of the loans consists of unaccreted purchase discount, deferred loan fees and loan origination costs

(2) Certain loans are subject to contractual extension options and may be subject to performance based or other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without paying a prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

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

(4) Base interest rate of 12% plus LIBOR (LIBOR floor of 1%) and PIK interest rate of 4%

(5) Base interest rate of 13% and PIK interest rate of 2%

(6) Base interest rate of 12.9%

5. LOAN RECEIVABLE AT CARRYING VALUE

As of December 31, 2020, the Company's portfolio included one loan receivable at carrying value. The originated commitment under this loan was approximately $4 million and outstanding principal was approximately $3.4 million as of December 31, 2020. During the period from July 31, 2020 to December 31, 2020, the Company received repayments of $0.35 million of outstanding principal.

The following table presents changes in loans receivable as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Principal	Original Issue Discount	Carrying Value
Loan receivable acquired at July 31, 2020	$3,700,718	$(4,428)	$3,696,290
Principal repayment of loans	(348,542)	—	(348,542)
Accretion of original issue discount	—	515	515
Total loans receivable at carrying value at December 31, 2020	**$3,352,176**	**$(3,913)**	**$3,348,263**

6. CURRENT EXPECTED CREDIT LOSSES

The Company estimates its CECL Reserve using a model that considers multiple datapoints and methodologies that may include the likelihood of default and expected loss given default for each individual loan, discounted cash flows ("DCF"), and other inputs which may include the risk rating of the loan, how recently the loan was originated compared to the measurement date, and expected prepayment if applicable. Calculation of the CECL Reserve requires loan specific data, which includes fixed charge coverage ratio, loan-to-value, property type and geographic location. Estimating the CECL Reserve also requires significant judgment with respect to various factors, including (i) the appropriate historical loan loss reference data, (ii) the expected timing of loan repayments, (iii) calibration of the likelihood of default to reflect the risk characteristics of the Company's loan portfolio and (iv) the Company's current and future view of the macroeconomic environment. The Company may consider loan-specific qualitative factors on certain loans to estimate its CECL Reserve, which may include (i) whether cash from the borrower's operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan and (iii) the liquidation value of collateral. For loans where we have deemed the borrower/sponsor to be experiencing financial difficulty, we may elect to apply a practical expedient in which the fair value of the underlying collateral is compared to the amortized cost of the loan in determining a Specific CECL Allowance. In order to estimate the future expected loan losses relevant to the Company's portfolio, the Company may consider historical market loan loss data provided by a third-party data service. The third party's loan database includes historical loss data for commercial mortgage-backed securities, or CMBS which the Company believes is a reasonably comparable and available data set to its type of loans. The Company utilized macroeconomic data that reflects a current recession; however, the short and long-term economic implications of the COVID-19 pandemic and its financial impact on the Company are highly uncertain. The CECL Reserve takes into consideration the macroeconomic impact of the COVID-19 pandemic on CRE properties and is not specific to any loan losses or impairments on the Company's loans held for investment.

As of December 31, 2020, the Company's CECL Reserve for its loans held at carrying value and loans receivable at carrying value portfolio is $465,397 or 132 basis points of the Company's total loans held at carrying value and loans receivable at carrying value commitment balance of $35,185,294 and is bifurcated between the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying value and loans receivable at carrying value of $404,860 and a liability for unfunded commitments of $60,537. The liability was based on the unfunded portion of the loan commitment over the full contractual period over which the Company is exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur, and if funded, the expected credit loss on the funded portion.

Current Expected Credit Loss Reserve for Funded Loan Commitments

Activity related to the CECL Reserve for outstanding balances on the Company's loans held at carrying value and loans receivable at carrying value as of and for the period from July 31, 2020 to December 31, 2020 was as follows:

Balance at July 31, 2020 (Commencement of Operations)	$ —
Provision for current expected credit losses	404,860
Write-offs	—
Recoveries	—
Balance at December 31, 2020[(1)]	**$404,860**

(1) As of December 31, 2020, the CECL Reserve related to outstanding balances on loans at carrying value and loans receivable at carrying value is recorded within current expected credit loss reserve in the Company's balance sheet.

Current Expected Credit Loss Reserve for Unfunded Loan Commitments

Activity related to the CECL Reserve for unfunded commitments on the Company's loans held at carrying value as of and for the period from July 31, 2020 to December 31, 2020 was as follows:

Balance at July 31, 2020 (Commencement of Operations)	$ —
Provision for current expected credit losses	60,537
Write-offs	—
Recoveries	—
Balance at December 31, 2020[1]	**$60,537**

(1) As of December 31, 2020, the CECL Reserve related to unfunded commitments on loans held at carrying value is recorded within other liabilities in the Company's consolidated balance sheets.

The Company continuously evaluates the credit quality of each loan by assessing the risk factors of each loan and assigning a risk rating based on a variety of factors. Risk factors include property type, geographic and local market dynamics, physical condition, projected cash flow, loan structure and exit plan, loan-to-value ratio, fixed charge coverage ratio, project sponsorship, and other factors deemed necessary. Based on a 5-point scale, the Company's loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

Rating	**Definition**
1	Very Low Risk
2	Low Risk
3	Medium Risk
4	High Risk/ Potential for Loss
5	Impaired/Loss Likely

The risk ratings are primarily based on historical data as well as taking into account future economic conditions.

As of December 31, 2020, the carrying value, excluding the CECL Reserve, of the Company's loans held at carrying value and loans receivable at carrying value within each risk rating by year of origination is as follows:

Risk Rating:	**2020**	**Total**
1	$ —	$ —
2	9,816,327	9,816,327
3	22,020,704	22,020,704
4	3,348,263	3,348,263
5	—	—
Total	**$35,185,294**	**$35,185,294**

7. INTEREST RECEIVABLE

The following tables summarize the interest receivable by the Company as of December 31, 2020:

	As of December 31, 2020
Interest receivable	$675,795
PIK receivable	177,183
Unused fees	74,314
Total interest receivable	**$927,292**

8. INTEREST RESERVE

At December 31, 2020, the Company had one loan that included a loan funded interest reserve. As of December 31, 2020, approximately $74 thousand of interest income was earned and disbursed from the interest reserve.

The following table presents changes in interest reserve as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	For the period from July 31, 2020 to December 31, 2020
Initial reserves	$ —
New reserves	1,400,000
Reserves disbursed	(74,250)
Total Interest reserve	**$1,325,750**

9. DEBT

The Company obtained a secured revolving credit loan (the "Revolving Loan") from AFC Finance, LLC, an affiliate of the Company's management. The Revolving Loan has a loan commitment of $40,000,000 and bears interest of 8% per annum, payable in cash in arrears. The Company did not incur any fees or cost related to the origination of the Revolving Loan and the Revolving Loan does not have any unused fees. The maturity date of the Revolving Loan is the earlier of (i) July 31, 2021 and (ii) the date of the closing of any Refinancing Credit Facility in accordance with terms in the Revolving Loan agreement. The Revolving Loan is secured by the assets of the Company. For the period from July 31, 2020 to December 31, 2020, the Company did not utilize its Revolving Loan and therefor no interest expense was incurred.

10. COMMITMENTS AND CONTINGENCIES

The spread of a novel strain of coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020 and has resulted in governmental authorities implementing numerous measures to try to contain the virus, such as quarantines, shelter-in-place or total lock-down orders and business imitations and shutdowns (subject to exceptions for certain "essential" operations and businesses). Over the course of the COVID-19 pandemic, medical cannabis companies have been deemed "essential" by 29 states administering shelter-in-place orders and adult use cannabis has been deemed "essential" in eight of those states. Consequently, the impact of the COVID-19 pandemic and the related regulatory and private sector response on our financial and operating results for the period ended December 31, 2020 was somewhat mitigated as all of our borrowers were permitted to continue to operate during this pandemic. Regardless, the full extent of the economic impact of the business disruptions caused by COVID-19 is uncertain. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving, and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including the regulated cannabis industry. Although some of these measures have been lifted or scaled back, a recent resurgence of COVID-19 in certain parts of the world, including the United States, has resulted in the re-imposition of certain restrictions and may lead to more restrictions to reduce the spread of COVID-

19. The extent of any effect that these disruptions may have on the operations and financial performance of the Company will depend on future developments, including possible impacts on the performance of the Company's loans, general business activity, and ability to generate revenue, which cannot be determined.

As of December 31, 2020, the Company had the following commitments to fund various senior term loans, equipment loans and bridge loans.

	As of December 31, 2020
Total original loan commitments	$107,292,176
Less: drawn commitments	(87,467,057)
Total undrawn commitments	**$19,825,119**

At December 31, 2020, the Company had executed $38.5 million in non-binding term sheets with various prospective borrowers. Subsequent to year end, the Company executed an additional $49.5 million in non-binding term sheets and a syndication commitment letter with various prospective borrowers. Included in these amounts is an approximately $46.2 million term sheet with a prospective borrower where the credit facility will be syndicated to an affiliate of the Company. The Company's portion of the syndication is $22.0 million and is included in the $38.5 million of non-binding term sheets at December 31, 2020. AFC Management is serving as the manager of the syndication and is expected to serve as the agent for the loan.

The Company from time to time may be a party to litigation in the normal course of business. As of December 31, 2020, the Company is not aware of any legal claims that could materially impact its business, financial condition or results of operations.

We provide loans to established companies operating in the cannabis industry which involves significant risks, including the risk of strict enforcement of federal laws regarding the federal illegality of cannabis, and lack liquidity, and we could lose all or part of any of our investments.

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

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

11. STOCKHOLDERS' EQUITY

Series A Preferred Stock.

As of December 31, 2020, the Company has authorized 10,000 preferred shares and issued 125 preferred shares.

In order for the Company to qualify as a REIT and satisfy the principles of Section 856(a)(5) of the Code, the Company's stock must be beneficially owned by 100 or more persons. Therefore, on December 18, 2020, the Company sold and issued 125 shares, to 125 investors, of 12.0% Series A Cumulative Non-Voting Preferred Stock, $0.01 par value per share (the "Series A Preferred Stock"), in a private placement offering (the "Series A Offering"), at a purchase price of $1,000 per share, with gross proceeds of $125,000 in cash and net proceeds of approximately $101,059. The Series A Preferred Stock entitles the holders thereof to receive cumulative cash dividends at a rate per annum of 12.0% of the liquidation preference of $1,000 per share plus all accumulated and unpaid dividends thereon. The Company generally may not declare or pay, or set apart for payment, any dividend or other distribution on any shares of the Company's stock ranking junior to the Series A Preferred Stock as to dividends, including the Company's common stock, or redeem, repurchase or otherwise make payments on any such shares, unless full, cumulative dividends on all outstanding shares of Series A Preferred Stock have been declared and paid or set apart for payment for all past dividend periods. The holders of the Series A Preferred Stock generally have no voting rights except in limited circumstances, including certain amendments to the Charter and the authorization or issuance of equity securities senior to or on parity with the Series A Preferred Stock. The Series A Preferred Stock is not convertible into shares of any other class or series of our stock. The Series A Preferred Stock is senior to all other classes and series of shares of the Company's stock as to dividend and redemption rights and rights upon the Company's liquidation, dissolution and winding up.

Upon written notice to each record holder of the Series A Preferred Stock as to the effective date of redemption, the Company may redeem the shares of the outstanding Series A Preferred Stock at the Company's option, in whole or in part, at any time for cash at a redemption price equal to $1,000 per share, for a total of $125,000 for the 125 shares outstanding, plus all accrued and unpaid dividends thereon to and including the date fixed for redemption, plus a redemption premium of $50 per share if the shares are redeemed on or before December 31, 2021. Shares of the Series A Preferred Stock that are redeemed shall no longer be deemed outstanding shares of the Company and all rights of the holders of such shares will terminate.

Common Stock

The Board of Directors of the Company has approved a 7-for-1 stock split of the Company's common stock effective on January 25, 2021. All common shares, stock options, and per share information presented in the financial statements have been adjusted to reflect the stock split on a retroactive basis for all periods presented, including reclassifying an amount equal to the increase in par value of common stock from additional paid-in capital. The Company will make a cash payment to stockholders for all fractional shares which would otherwise be required to be issued as a result of the stock split. There will be no change in the par value of the Company's common stock.

The Company issued 6,179,392 shares in private offerings during the period from July 31, 2020 to December 31, 2020.

Equity Incentive Plan

The Company has established an equity incentive compensation plan (the "Plan"). The Company's board of directors authorized the adoption of the Plan (the "2020 Plan") and approved stock option grants of 926,898 shares of common stock as of December 31, 2020. The Board or one or more committees appointed by the

Board will administer the 2020 Plan. The Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses, stock units and other forms of awards granted or denominated in the Company's common stock or units of common stock. The 2020 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be structured to be paid or settled in cash. The Company currently intends to grant stock options to participants in the 2020 Plan, but it may also grant any other type of award available under the 2020 Plan in the future. Persons eligible to receive awards under the 2020 Plan include officers or employees of the Company or any of its subsidiaries, directors of the Company, and certain directors and consultants and other service providers to the Company or any of its subsidiaries.

The current maximum number of shares of the Company common stock that may be delivered pursuant to awards under the 2020 Plan (the "**Share Limit**") equals 2,100,000 shares. Shares that are subject to or underlie awards that expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2020 Plan will not be counted against the Share Limit and will again be available for subsequent awards under the 2020 Plan. Shares that are exchanged by a participant or withheld by the Company as full or partial payment in connection with any award granted under the 2020 Plan, as well as any shares exchanged by a participant or withheld by us to satisfy tax withholding obligations related to any award granted under the 2020 Plan, will not be counted against the Share Limit and will again be available for subsequent awards under the 2020 Plan. To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the Share Limit and will again be available for subsequent awards under the 2020 Plan.

The exercise price of any options granted under the 2020 Plan will be at net asset value or greater; provided, however, the exercise price will be at least equal to the fair market value of the underlying shares on the grant date. The options granted under the 2020 Plan have an ordinary term of up to ten years. An option may either be an incentive stock option or a nonqualified stock option. Options generally may not be transferred to third parties for value and do not include dividend equivalent rights.

For so long as the Company remains private, any options that become vested under the 2020 Plan will not be exercisable until the earlier of (i) a Change in Control Event (as defined in the 2020 Plan) and (ii) a Public Offering Date (as defined in the 2020 Plan). In the event the term of any options expires prior to the occurrence of either a Change in Control Event or Public Offering Date, the options, whether vested or unvested, shall expire and be forfeited for no consideration. As such, no options are considered dilutive as of the date of these financial statements.

The following table summarizes the (i) non-vested options granted, (ii) vested options granted and (iii) forfeited options granted for the Company's directors and officers and employees of the Manager as of December 31, 2020:

	Restricted Stock Options Granted
Non-vested	142,814
Vested	800,618
Forfeited	(16,534)
Balance at December 31, 2020	**926,898**

12. EARNINGS PER SHARE

The following information sets forth the computations of basic weighted average earnings per common share for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	Period from July 31, 2020 to December 31, 2020
Net income / (loss) attributable to common stockholders	$4,313,632
Divided by:	
Basic weighted average shares of common stock outstanding	5,694,475
Basic weighted average earnings per common share	**$0.76**

13. INCOME TAX

The income tax provisions for the Company was $0 for the period from July 31, 2020 to December 31, 2020.

For the period from July 31, 2020 to December 31, 2020, the Company incurred no expense for United Stated federal excise tax. Excise tax represents a 4% tax on the sum of a portion of the Company's ordinary income and net capital gains not distributed during the period. If it is determined that an excise tax liability exists for the current period, the Company will accrue excise tax on estimated excess taxable income as such taxable income is earned. The expense is calculated in accordance with applicable tax regulations.

The Company does not have any unrecognized tax benefits and the Company does not expect that to change in the next 12 months.

14. FAIR VALUE

The Company's loans are typically valued using a yield analysis, which is typically performed for non-credit impaired loans to portfolio companies where the Company does not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the loan based upon an assessment of the expected market yield for a similarly structured loan with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the loan relative to risk of the company and the specific loan. A key determinant of risk, among other things, is the leverage through the loan relative to the enterprise value of the portfolio company. As loans held by the Company are substantially illiquid with no active loan market, the Company depends on primary market data, including newly funded loans, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

The following tables summarize the significant unobservable inputs the Company used to value the loans categorized within Level 3 as of December 31, 2020. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

	As of December 31, 2020				
			Unobservable Input		
	Fair Value	Primary Valuation Techniques	Input	Estimated Range	Weighted Average
Senior Term Loans	$48,558,051	Yield analysis	Market Yield	15.79% - 20.75%	20.20%
Total Investments	**$48,558,051**				

Changes in market yields may change the fair value of certain of the Company's loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of the Company's loans.

Due to the inherent uncertainty of determining the fair value of loans that do not have a readily available market value, the fair value of the Company's loans may fluctuate from period to period. Additionally, the fair value of the Company's loans may differ significantly from the values that would have been used had a ready market existed for such loans and may differ materially from the values that the Company may ultimately realize. Further, such loans are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a loan in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

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

The following table presents fair value measurements of loans held at fair value as of December 31, 2020:

	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Loans held at fair value	$48,558,051	—	—	$48,558,051
Total	**$48,558,051**	**—**	**—**	**$48,558,051**

The following table presents changes in loans that use Level 3 inputs as of and for the period from July 31, 2020 (commencement of operations) to December 31, 2020:

	For the period from July 31, 2020 to December 31, 2020
Loans acquired at July 31, 2020	$43,106,551
Realized gains / (losses) on loans at fair value, net	345,000
Change in unrealized gains / (losses) on loans at fair value, net	1,563,340
Additional funding	16,360,000
Original issue discount and other discounts, net of costs	(1,595,199)
Repayments	(5,000,000)
Sale of loans	(7,345,000)
Accretion of original issue discount	732,729
PIK Interest	390,630
Total loans using Level 3 inputs at December 31, 2020	**$48,558,051**

15. RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the Management Agreement, the Manager will manage the loans and day-to-day operations of the Company, subject at all times to the further terms and conditions set forth in the Management Agreement and such further limitations or parameters as may be imposed from time to time by the Company's Board.

The Manager will receive base management fees (the "Base Management Fee") that are calculated and payable quarterly in arrears, in an amount equal to 0.4375% of the Company's Equity, determined as of the last day of each such quarter; provided that the Base Management Fee shall be reduced by the aggregate amount of any other fees earned and paid to the Manager during such quarter resulting from the investment advisory services and general management services rendered by it under the Management Agreement, including any syndication, structuring, diligence, monitoring or agency fees relating to the Company's loans, but excluding the Incentive Compensation.

In addition to the Base Management Fee, the Manager is entitled to receive incentive compensation (the "Incentive Compensation" or "Incentive Fees") under the Management Agreement. Under the Management Agreement, the Company will pay Incentive Fees to the Manager based upon the Company's achievement of targeted levels of Core Earnings. "Core Earnings" is defined in the Management Agreement as, for a given period means the net income (loss) for such period, computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between the Manager and the Independent Directors and approved by a majority of the Independent Directors. The Manager has agreed to waive the incentive compensation for the period from July 31, 2020 (date of commencement of operations) through December 31, 2020 which would have been approximately $479,166 for the period.

The Company shall pay all of its costs and expenses and shall reimburse the Manager or its Affiliates for expenses of the Manager and its Affiliates paid or incurred on behalf of the Company, excepting only those expenses that are specifically the responsibility of the Manager pursuant to the Management Agreement.

The following table summarizes the related party costs incurred by the Company for the period from July 31, 2020 (commencement of operations) to December 31, 2020 and amounts payable to the Company's Manager as of December 31, 2020.

	Incurred for the period from July 31, 2020 to December 31, 2020	Payable as of December 31, 2020
Affiliate Payments		
Management fees	$623,361	$222,127
Less other fees earned and paid to the Manager	(259,167)	—
General and administrative expenses reimbursed to Manager	671,605	506,171
Total	**$1,035,799**	**$728,298**

Investments in Loans

From time to time, the Company may co-invest with other investment vehicles managed by the Company's Management or its affiliates, including the Manager, and their portfolio companies, including by means of splitting loans, participating in loans or other means of syndicating loans. The Company is not obligated to provide, nor has it provided, any financial support to the other managed investment vehicles. As such, the Company's risk is limited to the carrying value of its investment in any such loan. As of and for the period from July 31, 2020 to December 31, 2020, there were no co-investments held by the Company.

In connection with investments in loans, the Company may receive the option to assign the right (the "Assigned Right") to acquire warrants and/or equity of the borrower. The Company may sell the Assigned Right, and the sale may be to an affiliate of the Company. As of and for the period from July 31, 2020 to December 31, 2020, the Company sold approximately $1.6 million of Assigned Rights which are accounted for as additional original issue discount and accreted over the life of the loans.

Loans Acquired From Affiliate

The Company acquired loans at fair value of approximately $46,802,841 and cash from an affiliate of the Company's Management in exchange for issuance of 3,342,500 shares of common stock.

Secured Revolving Credit From Affiliate

The Company obtained a secured revolving credit loan (the "Revolving Loan") from AFC Finance, LLC, an affiliate of the Company's management. Refer to footnote 9 for more information.

16. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared and paid during the period from July 31, 2020 to December 31, 2020:

	Record Date	Payment Date	Common Share distribution amount	Taxable Ordinary Income	Return of Capital	Section 199A Dividends
Regular cash dividend	12/23/2020	12/30/2020	$0.35	$0.35	$—	$0.35
Special cash dividend[1]	12/23/2020	12/30/2020	0.26	0.26	—	0.26
Total cash dividend			**$0.61**	**$0.61**	**$—**	**$0.61**

(1) Dividend of approximately $0.26

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the Company's quarterly financial results for the period from July 31, 2020 to September 30, 2020 and the quarter ended December 31, 2020:

	Period from July 31, 2020 to September 30, 2020	Quarter Ended December 31, 2020
Total revenue	$1,594,769	$3,655,339
Total expenses	1,052,319	1,327,100
Provision for current expected credit losses	—	(465,397)
Realized gains / (losses) on loans at fair value, net	—	345,000
Change in unrealized gains / (losses) on loans at fair value, net	1,563,800	(460)
Net Income / (loss)	2,106,250	2,207,382
Basic earnings per common share (in dollars per share)(1)	0.39	0.37
Basic weighted average shares of common stock outstanding (in shares)	5,376,411	5,908,822

(1) The sum of per share amounts for the period from July 31, 2020 to September 30, 2020 and the quarter ended December 31, 2020 may differ from the annual per share amounts due to the required method of computing weighted-average number of common shares outstanding in the respective periods and share offerings that occurred during the year.

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were available to be issued. There were no material subsequent events, other than that described below, that required disclosure in these financial statements.

Public Company A previously defaulted on certain covenants under the applicable agreements governing their real estate loan and equipment loan with us. These defaults resulted from, among other things, the loan parties' failure to timely pay taxes due, incurrence of mechanic's liens and tax liens on assets, failure to notify the lenders of such failure to pay and incurrence of liens, failure to make payments due in January 2021, failure to make payment obligations owed to third party creditors and failure to enter into specified debt restructuring transactions. Such defaults were unrelated to the COVID-19 pandemic. In January 2021, the loan parties entered into modification agreements for each of the Public Company A loans pursuant to which the Company agreed to forbear from exercising its rights and remedies regarding such defaults for certain considerations and on certain terms and conditions. Under the RE Modification Agreement, the Company and the other lenders agreed to forbear until the earlier of December 21, 2021 and the existence of any new event of default, and the terms of the real estate loan were modified to, among other things, (i) extend the maturity date from June 27, 2021 to December 21, 2021, (ii) modify the interest rate to 14.0%, with 12.0% paid monthly and 2.0% paid at maturity and (iii) add an exit fee of $1.0 million payable upon payment in full of the real estate loan on the maturity date. The RE Modification Agreement also provided for the establishment of an interest reserve for the payment of the last three months of interest on the real estate loan. Additional consideration for the RE Modification Agreement included (w) a modification fee in an amount equal to 3.0% per annum on the outstanding principal of the real estate loan from May 19, 2020 to the effective date of the RE Modification Agreement less certain fees previously paid, (x) common shares of Public Company A in an aggregate amount equal to $1.2 million, (y) the grant of certain warrants to purchase common shares of Public Company A and (z) reimbursement of certain expenses. The Company sold its portion of the rights to acquire the common shares and warrants received as considerations for the RE Modification Agreement to the administrative agent under the Public Company A real estate loan documents. Under the modification agreement relating to the Public Company A equipment loan, the Company and the other lenders agreed to forbear until the earlier of February 5, 2024 and the existence of any new event of default, and the terms of the equipment loan were modified to, among other things, (i) amend the payment schedule allowing for reduced monthly payments for three months, with the reduced amounts amortized equally over the remaining monthly payments, (ii) add an exit fee of $500,000 due at the end of the term of the agreement governing the equipment loan, (iii) release a certain guarantor, and (iv) add a new parent company guarantee. Additional consideration for the Equipment Modification Agreement included (x) a modification fee in an amount equal to 6.0% per annum on the outstanding principal of the equipment loan from May 19, 2020 through and including the effective date of the Equipment Modification Agreement less certain fees previously paid, (y) an additional fee of $500,000 payable in equal monthly installments commencing April 5, 2021 and (z) reimbursement of certain expenses. In connection with the Modification Agreements, Public Company A consummated the initial closing of $10.1 million of its non-brokered convertible debenture offering for up to $25.0 million of debenture units. The net proceeds received by Public Company A from the convertible debenture offering are intended to be used for working capital, previous debt obligations and general corporate purposes. Public Company A has since paid the January 2021 payments and there are no delinquent payment obligations owed to the Company.

STOCKHOLDER INFORMATION

Market Information; Holders

Our common stock is listed on the Nasdaq Global Market under the symbol “AFCG.” At August 11, 2021, we had approximately 40 stockholders of record. Since many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these holders of record.

Distribution Policy

We intend to make regular quarterly distributions to our stockholders, consistent with our intention to qualify as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains and certain non-cash income, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income. As a result, in order to satisfy the requirements for us to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to our stockholders out of assets legally available therefor. REIT taxable income as computed for purposes of the foregoing tax rules will not necessarily correspond to our net income as determined for financial reporting purposes, or our distributable earnings.

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

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

In March 2021, we declared a regular cash dividend of $0.36 per share of our common stock, relating to the first quarter of 2021, paid on March 31, 2021 to stockholders of record as of March 15, 2021. The aggregate amount of the March 2021 regular cash dividend payment was approximately $2.2 million. In May 2021, we declared a regular cash dividend of $0.38 per share of our common stock, relating to the second quarter of 2021 which will be paid on June 30, 2021 to stockholders of record as of June 15, 2021. The aggregate amount of the June 2021 regular cash dividend is expected to be approximately $5.1 million. The payment of these dividends, including the special cash dividend, is not indicative of our ability to pay such dividends in the future.

Stock Performance Graph

We are not providing a stock performance graph because we first became a publicly traded company in 2021.

MANAGEMENT

We operate under the direction of our Board, which is responsible for directing the management of our business and affairs. Our Board has retained our Manager to manage our loans and day-to-day operations, subject to the terms of our Management Agreement and the supervision of our Board. We do not have any employees. Our loans are sourced and overseen by the members of our Manager's team, which currently consists of investment and other professionals who are employees of our Manager and/or its affiliates and certain of whom are also our officers.

Directors and Executive Officers

The following table sets forth certain information concerning our directors and our executive officers, who, alongside our Manager, assist in our day-to-day operations:

Directors and Executive Officers	Age	Position/Title
Thomas L. Harrison	73	Lead Independent Director (Class I)
Leonard M. Tannenbaum	50	Chief Executive Officer, Chairman and Director (Class I)
Jonathan Kalikow	51	Head of Real Estate and Director (Class II)
Robert Levy	55	Independent Director (Class II)
Jodi Hanson Bond	50	Independent Director (Class II)
Alexander C. Frank	63	Independent Director (Class III)
Tomer J. Tzur	50	Independent Director (Class III)
Brett Kaufman	49	Chief Financial Officer and Treasurer
Robyn Tannenbaum	36	Managing Director, Head of Origination and Investor Relations

Thomas L. Harrison, L.H.D. — Lead Independent Director (Class I). Mr. Harrison has served as our lead independent director since July 2020. Mr. Harrison is currently a Senior Operating Partner at Merida Capital Holdings, a private equity firm investing across the cannabis ecosystem a position he has held since April 2019. In addition, Mr. Harrison brings 30 years of experience in marketing, communications and brand positioning. He formerly founded Harrison & Star Business Group in October 1987, a healthcare marketing and communications agency that was acquired by Omnicom Group Inc. ("Omnicom") in 1992. He is Chairman Emeritus of Diversified Agency Services, a division of Omnicom and one of the world's largest holding groups of marketing services companies. He was appointed President of the division in April 1997. He is currently a board member for MainStem, the leading purchasing platform in the state-regulated cannabis industry, as well as for EighthICON Holdings, a cannabis firm owning the Cheech & Chong cannabis brand, and one of our borrowers, Private Company A. Mr. Harrison was appointed to the board of Madison Logic in June 2016, a business-to-business account based management marketing company and on the board of ACTV8me, an advertising attribution technology company, in 2020. Mr. Harrison is on the Board and acts as lead director for Fifth Street, a credit asset manager with a nationwide platform. In addition, he was previously the Chairman of the Corporate Governance and Nominating Committee for Zynerba Pharmaceuticals Inc., a leader in pharmaceutically-produced cannabinoid therapies from January 2015 to May 2019. He is a board director for the Montefiore Health System. Mr. Harrison brings to our Board an important combination of leadership, marketing, cannabis industry, healthcare and financial expertise. His experiences at large corporations and his current board service make him instrumental in helping our Board implement our business and financial strategy.

Leonard M. Tannenbaum — Chief Executive Officer, Chairman and Director (Class I). Mr. Tannenbaum has served as our Chief Executive Officer and as Chairman and a director since July 2020. Mr. Tannenbaum is responsible for our overall management and, in his capacity as a principal of the Manager, leads the Investment Committee, which is responsible for overseeing investment processes including origination, credit underwriting, risk analysis and loan approvals. Mr. Tannenbaum has extensive leadership experience, including his experience as the founder of Fifth Street Asset Management, Inc., a credit asset manager with a nationwide platform ("FSAM"), and its Chief Executive Officer from its inception in 1998 until October 2017 when substantially all of its assets were sold to Oaktree Capital Management ("Oaktree"). Prior to such sale to Oaktree, FSAM had a core focus on disciplined credit investing across multiple economic cycles, and issued billions of dollars in public equity, private capital and public debt securities. FSAM made flexible investments across capital structures to growing middle market companies, primarily in conjunction with private equity sponsors. It managed approximately $5 billion of assets across multiple private investment vehicles and two publicly-traded business development companies. FSAM is expected to be dissolved and liquidated in the first half of 2021 and since its asset sale to Oaktree, it has had no revenue generating operations and makes no investments. Mr. Tannenbaum has a controlling interest in FSAM. Subsequent to the sale to Oaktree in 2017, Mr. Tannenbaum founded Tannenbaum Family Office, a single family office and one of our affiliates that is focused on allocating capital across various strategies including credit (from the Tannenbaum Strategic Credit Fund, a $100 million fund), equities and real estate. Mr. Tannenbaum graduated from The Wharton School of the University of Pennsylvania, where he received a B.S. in economics. Subsequent to his undergraduate degree from the University of Pennsylvania, he received an MBA in Finance from The Wharton School as part of the submatriculation program. He is also a holder of the Chartered Financial Analyst designation and is a member of The Wharton Graduate Executive Board. Mr. Tannenbaum brings extensive financing industry and leadership experience to our Board. He provides our Board with critical understanding of our business and knowledge of how to craft and execute on our business and strategic plans. He is the founder, and a substantial stockholder, of our Company. Mr. Tannenbaum is married to Mrs. Tannenbaum.

Jonathan Kalikow — Head of Real Estate and Director (Class II). Mr. Kalikow has served as our Head of Real Estate and as a director since July 2020. He has been the president and founder of Gamma Real Estate, a boutique commercial real estate firm, since he founded it in October 2014, based in New York. The firm lends on real estate nationwide, owns a portfolio of approximately 5,000 apartments and several office properties, including a 310,000 square foot residential building on Sutton Place in Manhattan. Prior to co-founding Gamma Real Estate, Jonathan Kalikow spent 18 years on Wall Street investing across industries and asset classes as a proprietary trader at Morgan Stanley and then as a hedge fund trader and portfolio manager. Mr. Kalikow has also spent over 15 years in real estate as part of a family-owned real estate firm operating for approximately 100 years. Mr. Kalikow is a graduate of the Wharton School of Business with bachelor's degrees in Real Estate and Finance. He also holds a *juris doctor* from Fordham University School of Law and is a member of the New York State Bar Association. Mr. Kalikow's extensive experience in the real estate and finance industries provides our Board with deep experience. Mr. Kalikow's management experience and understanding of the real estate industry make him an ideal choice to act as our director.

Alexander C. Frank — Independent Director (Class III). Mr. Frank has served as an independent director since July 2020. Mr. Frank has more than 30 years' experience in financial and operational infrastructure. He previously worked at Fifth Street, which he joined in September 2011 and during his tenure through September 2017, he held various positions and was responsible for the operations of the company during his tenure from 2011 to 2017. Since retiring in September 2017, Mr. Frank has served as a board member at Fifth Street. He was the Chief Operating Officer and Chief Financial Officer of Fifth Street from the time of its initial public offering in 2014 to its sale to Oaktree in 2017. From September 2008 to March 2011, he served as a Managing Director and Chief Financial Officer of Chilton Investment Company LLC, a global investment management firm. Prior to that, Mr. Frank spent over 22 years at Morgan Stanley, having served as global head of institutional operations, global corporate controller and chief financial officer of U.S. broker/dealer operations and global treasurer. In his roles, he oversaw various securities infrastructure services, creating efficiencies throughout the organization, and managed all aspects of the internal and external financial control and reporting functions. Mr. Frank began his career in audit and tax accounting at Arthur Andersen LLP before joining Morgan Stanley in 1985. He received an M.B.A. from the University of Michigan and a B.A. from Dartmouth College. Mr. Frank brings to our Board a deep knowledge of financial management. He provides our Board with key insights to the financial markets, capital raising activities, and the management of a large, complex business.

Robert Levy — Independent Director (Class II). Mr. Levy has served as our independent director since December 2020. Currently, Mr. Levy works as a Managing Member at LBX Acquisitions, a position he has held since January 2018. Prior to launching LBX Investments, Mr. Levy co-founded Big V Capital ("BVC") in March of 2016, where he oversaw and underwrote the partnership's 11 Southeastern U.S. shopping center acquisitions and managed all capital raising (both debt and equity) and asset management efforts. Prior to BVC, Mr. Levy was the Chief Operating Officer of the Real Estate Group at Benefit Street Partners, a multi-strategy credit manager with over $11.0 billion in assets under management from May 2015 to June 2016. Prior to Benefit Street Partners, Mr. Levy held various leadership positions at Centerline Capital Group, including Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and a member of the Board of Trustees. Centerline was a multifamily finance and investment management company with over $13 billion in debt and equity under management. Mr. Levy received his M.B.A. from the Leonard M. Stern School of Business at New York University and his B.A. in Economics from Northwestern University. Mr. Levy brings to our Board a critical management experience in capital raising within the finance industry.

Jodi Hanson Bond — Independent Director (Class II). Ms. Bond has served as our independent director since December 2020. Currently, Ms. Bond serves as the Chief Executive Officer of Quantum Wave Strategies, LLC, a position she has held since March 2020, and as the President of DevryBV Sustainable Strategies, a position she has held since August 2020. Additionally, Ms. Bond has been serving as a Corporate Director at Fifth Street since March 2017. Prior to those experiences, she was the Executive Vice President and Head of Government and Industry Relations at Chubb Limited from October 2017 until September 2019. From October 2011 to October 2017, Ms. Bond held the position of Senior Vice President International at the U.S. Chamber of Commerce and as the President and a Board of Director for the following U.S. Chamber of Commerce subsidiaries: U.S.-Colombia Business Council, Association of American Chambers of Commerce of Latin America and the Caribbean, Brazil-U.S. Business Council, U.S.-Argentina Business Council, and U.S.-Cuba Business Council. Ms. Bond is also a member of the National Association of Corporate Directors and the Economic Club of Washington. Ms. Bond received her M.A. in Government from John Hopkins University and her B.A. in Politics from Whitman College. Ms. Bond's experience as a global business practitioner and her executive leadership positioning for corporate advancement and business strategy development across various countries bring meaningful insight to our Board.

Tomer J. Tzur — Independent Director (Class III). Mr. Tzur has served as an independent director since July 2020. Mr. Tzur has over 15 years' experience in management consulting. Currently, Mr. Tzur works as a Senior Managing Director and Partner at The Boston Consulting Group ("BCG"), a position he has held since January 2009. As a leader in BCG's Consumer Practice, Mr. Tzur advises global consumer companies on go to market, operations, strategy and M&A related topics. In this capacity, Mr. Tzur has supported a number of major food and beverage and distributions players' evaluation of the cannabis space. Mr. Tzur joined BCG in September 2001 in New York and spent 2003 to 2004 in BCG's Mumbai office before returning to New York. He relocated to Israel to start and lead BCG's Tel Aviv office in 2011, and in 2017 joined BCG's Miami office. Prior to BCG, Mr. Tzur built a restaurant business and served for three years in the Israel Defense Forces. Mr. Tzur received his M.B.A. from the Wharton School at the University of Pennsylvania, his M.A. in International Studies from University of Pennsylvania, and his B.A. in International Relations from the Hebrew University. Mr. Tzur brings to our Board a wealth of experience in consumer goods, sales marketing and pricing, operations, and strategy topics - his knowledge of which significantly benefits the discussions of our Board.

Brett Kaufman — Chief Financial Officer and Treasurer. Mr. Kaufman has served as our Chief Financial Officer and Treasurer since August 2021. Prior to joining the Company, Mr. Kaufman served for twelve years as Chief Financial Officer with Ladenburg Thalmann Financial Services, an NYSE-traded financial services company. Most recently, he played a central role in the company's $1.3 billion sale to a portfolio company of a private equity firm, championing the executive task force, due diligence, and coordination which resulted in a successful close in 2020. Prior to Ladenburg Thalmann, Mr. Kaufman spent nine years with Bear Stearns, where he held progressive roles supporting internal and external financial reporting for all business units, and ultimately grew to head the global company's FP&A function as Managing Director. In these executive roles, he enhanced global corporate decision capability in a number of key areas, most notably, forecasting, GAAP-compliant internal and external reporting, and budgeting. In addition, he was responsible for oversight of the company's core financial reporting including earning releases, SEC external reporting, and other data for presentations to C-level leaders, board of directors, investors, and rating agencies. He also served as a key partner on a portfolio of corporate strategic initiatives. Mr. Kaufman initially began his career with PwC, rising to Senior Associate in the Audit and Business Advisory Services group, where he was responsible for performing and reviewing audit procedures, drafting financial statements, and reviewing financial transactions for Fortune 500-level clients across a variety of industries. He was also an active participant in new hire development and mentorship programs. Mr. Kaufman graduated from Binghamton University with a B.S. in Accounting and is an active Certified Public Accountant. His extensive capital markets and finance experience, including his many years as a CPA, make him an ideal choice to act as our Chief Financial Officer.

Robyn Tannenbaum — Managing Director, Head of Origination and Investor Relations. Mrs. Tannenbaum has served as our Managing Director, Head of Origination and Investor Relations since July 2020. Mrs. Tannenbaum has over 7 years' experience focusing on mergers and acquisitions and leveraged loans to healthcare companies. Additionally, she has 5 years of experience as an investor relations professional within the finance industry. Mrs. Tannenbaum formerly served as Head of Investor Relations at Fifth Street from March 2014 to October 2017 and as a Vice President in Healthcare mergers and acquisitions at CIT Group Inc. Subsequent to her time at Fifth Street, from October 2017 through July 2020, she founded and worked at REC Investor Relations, a boutique investor relations and marketing consulting firm advising healthcare and financial services companies. She graduated summa cum laude with a B.S. in Finance, with a concentration in Marketing and a Public Relations minor from Lehigh University. Mrs. Tannenbaum brings deep experience in investor relations within the finance industry, bringing meaningful insight as the Managing Director, Head of Origination and Investor Relations. Mrs. Tannenbaum is married to Mr. Tannenbaum.

Some of our directors and executive officers act, and some of our future directors and executive officers may act, as directors and executive officers of our Manager, its affiliates and other investment vehicles managed by our Manager, as applicable, and such directors and executive officers may own interests in such other entities from time to time.

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