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

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FORM 10-Q

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

For the quarterly period ended **June 30, 2024**

or

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

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

Commission file number **000-56327**



**NewLake Capital Partners, Inc.**  
(Exact name of registrant as specified in its charter)

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

**83-4400045**  
(I.R.S. Employer Identification No.)

**50 Locust Avenue, First Floor, New Canaan CT 06840**  
(Address of principal executive offices)

**203-594-1402**  
(Registrants Telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Securities registered pursuant to section 12(g) of the Act:

Common Stock, par value \$0.01 per share

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes  No

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

The number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding as of August 7, 2024 was 20,510,566.

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NewLake Capital Partners, Inc.

FORM 10-Q

June 30, 2024

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**NEWLAKE CAPITAL PARTNERS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
*(In thousands, except share and per share amounts)*

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Assets:</b>		
Real Estate		
Land	\$ 21,717	\$ 21,397
Building and Improvements	405,955	390,911
Total Real Estate	427,672	412,308
Less Accumulated Depreciation	(38,191)	(31,999)
Net Real Estate	389,481	380,309
Cash and Cash Equivalents	20,687	25,843
In-Place Lease Intangible Assets, net	18,786	19,779
Loan Receivable, net (Current Expected Credit Loss of \$ 141 and \$167, respectively)	4,859	4,833
Other Assets	2,385	2,528
Total Assets	<u>\$ 436,198</u>	<u>\$ 433,292</u>
<b>Liabilities and Equity:</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 921	\$ 1,117
Revolving Credit Facility	7,600	1,000
Loan Payable, net	—	1,000
Dividends and Distributions Payable	9,009	8,385
Security Deposits	8,789	8,616
Rent Received in Advance	784	990
Other Liabilities	149	227
Total Liabilities	<u>27,252</u>	<u>21,335</u>
<b>Commitments and Contingencies</b>		
<b>Equity:</b>		
Preferred Stock, \$0.01 Par Value, 100,000,000 Shares Authorized, 0 Shares Issued and Outstanding, respectively	—	—
Common Stock, \$0.01 Par Value, 400,000,000 Shares Authorized, 20,509,883 and 20,503,520 Shares Issued and Outstanding, respectively	205	205
Additional Paid-In Capital	446,006	445,289
Accumulated Deficit	(44,581)	(40,909)
Total Stockholders' Equity	<u>401,630</u>	<u>404,585</u>
Noncontrolling Interests	7,316	7,372
Total Equity	<u>408,946</u>	<u>411,957</u>
Total Liabilities and Equity	<u>\$ 436,198</u>	<u>\$ 433,292</u>

The accompanying notes are an integral part of the unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(In thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<b>Revenue:</b>				
Rental Income	\$ 12,253	\$ 11,183	\$ 24,380	\$ 22,340
Interest Income from Loans	134	131	265	259
Fees and Reimbursables	68	62	418	193
Total Revenue	<u>12,455</u>	<u>11,376</u>	<u>25,063</u>	<u>22,792</u>
<b>Expenses:</b>				
Property Expenses	28	56	50	150
Depreciation and Amortization Expense	3,626	3,568	7,194	7,130
General and Administrative Expenses:				
Compensation Expense	1,150	1,150	2,385	2,277
Professional Fees	243	364	645	686
Other General and Administrative Expenses	455	451	873	920
Total General and Administrative Expenses	<u>1,848</u>	<u>1,965</u>	<u>3,903</u>	<u>3,883</u>
Total Expenses	<u>5,502</u>	<u>5,589</u>	<u>11,147</u>	<u>11,163</u>
Provision for Current Expected Credit Loss	12	—	26	—
<b>Income From Operations</b>	<b>6,965</b>	<b>5,787</b>	<b>13,942</b>	<b>11,629</b>
<b>Other Income (Expense):</b>				
Other Income	81	208	181	428
Interest Expense	(128)	(97)	(211)	(189)
Total Other Income (Expense)	<u>(47)</u>	<u>111</u>	<u>(30)</u>	<u>239</u>
<b>Net Income</b>	<b>6,918</b>	<b>5,898</b>	<b>13,912</b>	<b>11,868</b>
Net Income Attributable to Noncontrolling Interests	(122)	(101)	(247)	(203)
<b>Net Income Attributable to Common Stockholders</b>	<b>\$ 6,796</b>	<b>\$ 5,797</b>	<b>\$ 13,665</b>	<b>\$ 11,665</b>
Net Income Attributable to Common Stockholders Per Share - Basic	<u>\$ 0.33</u>	<u>\$ 0.27</u>	<u>\$ 0.66</u>	<u>\$ 0.55</u>
Net Income Attributable to Common Stockholders Per Share - Diluted	<u>\$ 0.33</u>	<u>\$ 0.27</u>	<u>\$ 0.66</u>	<u>\$ 0.55</u>
Weighted Average Shares of Common Stock Outstanding - Basic	<u>20,555,362</u>	<u>21,369,489</u>	<u>20,548,601</u>	<u>21,396,330</u>
Weighted Average Shares of Common Stock Outstanding - Diluted	<u>20,951,379</u>	<u>21,743,071</u>	<u>20,946,805</u>	<u>21,769,912</u>

The accompanying notes are an integral part of the unaudited consolidated financial statements

**NEWLAKE CAPITAL PARTNERS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)  
*(In thousands, except share amounts)*

	<b>Three Months Ended June 30, 2024</b>					
	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
	<b>Shares</b>	<b>Par</b>				
Balance as of March 31, 2024	20,509,883	\$ 205	\$ 445,590	\$ (42,479)	\$ 7,347	\$ 410,663
Stock-Based Compensation	—	—	424	—	—	424
Dividends to Common Stock	—	—	—	(8,819)	—	(8,819)
Dividends on Restricted Stock Units	—	—	—	(79)	—	(79)
Distributions to OP Unitholders	—	—	—	—	(161)	(161)
Adjustment for Noncontrolling Interest Ownership in Operating Partnership	—	—	(8)	—	8	—
Net Income	—	—	—	6,796	122	6,918
Balance as of June 30, 2024	20,509,883	\$ 205	\$ 446,006	\$ (44,581)	\$ 7,316	\$ 408,946

	<b>Three Months Ended June 30, 2023</b>					
	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
	<b>Shares</b>	<b>Par</b>				
Balance as of March 31, 2023	21,358,887	\$ 214	\$ 455,470	\$ (34,956)	\$ 7,383	\$ 428,111
Repurchase of Common Stock	(56,372)	(1)	(711)	—	—	(712)
Stock-Based Compensation	—	—	373	—	—	373
Dividends to Common Stock	—	—	—	(8,308)	—	(8,308)
Dividend Equivalents to Restricted Stock Units	—	—	—	(41)	—	(41)
Distributions to OP Unitholders	—	—	—	—	(145)	(145)
Adjustment for Noncontrolling Interest Ownership in Operating Partnership	—	—	11	—	(11)	—
Net Income	—	—	—	5,797	101	5,898
Balance as of June 30, 2023	21,302,515	\$ 213	\$ 455,143	\$ (37,508)	\$ 7,328	\$ 425,176

The accompanying notes are an integral part of the unaudited consolidated financial statements

**NEWLAKE CAPITAL PARTNERS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)  
*(In thousands, except share amounts)*

Six Months Ended June 30, 2024						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity
	Shares	Par				
Balance as of December 31, 2023	20,503,520	\$ 205	\$ 445,289	\$ (40,909)	\$ 7,372	\$ 411,957
Conversion of Vested RSUs to Common Stock	6,363	—	—	—	—	—
Cash Paid for Taxes in Lieu of Issuance of Common Stock	—	—	(46)	—	—	(46)
Stock-Based Compensation	—	—	774	—	—	774
Dividends to Common Stock	—	—	—	(17,228)	—	(17,228)
Dividends on Restricted Stock Units	—	—	—	(109)	—	(109)
Distributions to OP Unitholders	—	—	—	—	(314)	(314)
Adjustment for Noncontrolling Interest Ownership in Operating Partnership	—	—	(11)	—	11	—
Net Income	—	—	—	13,665	247	13,912
Balance as of June 30, 2024	20,509,883	\$ 205	\$ 446,006	\$ (44,581)	\$ 7,316	\$ 408,946

Six Months Ended June 30, 2023						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity
	Shares	Par				
Balance as of December 31, 2022	21,408,194	\$ 214	\$ 455,822	\$ (32,487)	\$ 7,389	\$ 430,938
Repurchase of Common Stock	(105,679)	(1)	(1,333)	—	—	(1,334)
Stock-Based Compensation	—	—	681	—	—	681
Dividends to Common Stock	—	—	—	(16,638)	—	(16,638)
Dividends on Restricted Stock Units	—	—	—	(48)	—	(48)
Distributions to OP Unitholders	—	—	—	—	(291)	(291)
Adjustment for Noncontrolling Interest Ownership in Operating Partnership	—	—	(27)	—	27	—
Net Income	—	—	—	11,665	203	11,868
Balance as of June 30, 2023	21,302,515	\$ 213	\$ 455,143	\$ (37,508)	\$ 7,328	\$ 425,176

The accompanying notes are an integral part of the unaudited consolidated financial statements

**NEWLAKE CAPITAL PARTNERS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
*(In thousands)*

	<b>For the Six Months Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 13,912	\$ 11,868
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>		
Stock-Based Compensation	774	681
Depreciation and Amortization Expense	7,194	7,130
Amortization of Debt Issuance Costs	134	137
Amortization of Debt Discount	—	7
Provision for Credit Loss	(26)	—
Non-Cash Lease Expense	(1)	—
Non-Cash Application of Rent Escrow	(274)	—
Non-Cash Application of Security Deposit	—	(630)
<b>Changes in Assets and Liabilities</b>		
Other Assets	221	373
Accounts Payable and Accrued Expenses	(339)	(234)
Security Deposits	447	317
Rent Received in Advance	(206)	(677)
Other Liabilities	(77)	(758)
<b>Net Cash Provided by Operating Activities</b>	<b>21,759</b>	<b>18,214</b>
<b>Cash Flows from Investing Activities:</b>		
Funding of Building and Tenant Improvements	(11,371)	(2,996)
Acquisition of Real Estate	(3,993)	(350)
<b>Net Cash Used in Investing Activities</b>	<b>(15,364)</b>	<b>(3,346)</b>
<b>Cash Flows from Financing Activities:</b>		
Repurchase of Common Stock	—	(1,334)
Cash Paid for Taxes in Lieu of Issuance of Common Stock	(46)	—
Common Stock Dividends Paid	(16,610)	(16,679)
Restricted Stock Unit Dividends Paid	(114)	(51)
Distributions to OP Unitholders	(303)	(291)
Borrowings from Revolving Credit Facility	6,600	—
Principal Repayment on Loan Payable	(1,000)	(1,000)
Deferred Financing Costs	—	(31)
Deferred Offering Costs	(78)	—
<b>Net Cash Used in Financing Activities</b>	<b>(11,551)</b>	<b>(19,386)</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(5,156)</b>	<b>(4,518)</b>
Cash and Cash Equivalents - Beginning of Period	25,843	45,192
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 20,687</b>	<b>\$ 40,674</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest Paid	\$ 99	\$ 109
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Dividends and Distributions Declared, Not Paid	\$ 9,009	\$ 8,468
Accrual for Deferred Offering Costs	\$ 143	\$ —

The accompanying notes are an integral part of the unaudited consolidated financial statements

**NEWLAKE CAPITAL PARTNERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2024  
(Unaudited)

**Note 1 - Organization**

NewLake Capital Partners, Inc. (the "Company"), a Maryland corporation, was formed on April 9, 2019, originally as GreenAcreage Real Estate Corp. ("GARE"). The Company is an internally managed Real Estate Investment Trust ("REIT") focused on providing long-term, single-tenant, triple-net sale-leaseback and build-to-suit transactions for the cannabis industry. The Company conducts its operations through its subsidiary, NLCP Operating Partnership LP, a Delaware limited partnership (the "Operating Partnership" or "OP"). The Company is the sole managing general partner of the Operating Partnership. The Company's common stock trades on the OTCQX® Best Market (the "OTCQX") operated by the OTC Markets Group, Inc., under the symbol "NLCP".

**Note 2 - Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. The consolidated financial statements include the accounts of the Company, the Operating Partnership, as well as any wholly owned subsidiaries of the Operating Partnership and variable interest entities ("VIEs") in which the Company is considered the primary beneficiary. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the operating results for the full year or any future period. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and filed with the Securities and Exchange Commission ("SEC") on March 11, 2024. In management's opinion, all adjustments (which include normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows have been made.

***Variable Interest Entities***

The Company consolidates a VIE in which it is considered the primary beneficiary. The primary beneficiary is the entity that has: (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

***NLCP Operating Partnership LP***

The Operating Partnership is a VIE because the holders of limited partnership interests do not have substantive kick-out rights or participating rights. Furthermore, the Company is the primary beneficiary of the Operating Partnership because it has the obligation to absorb losses and the right to receive benefits from the Operating Partnership and the exclusive power to direct the activities of the Operating Partnership. As of June 30, 2024 and December 31, 2023, the assets and liabilities of the Company and the Operating Partnership were substantially the same, as the Company does not have any significant assets other than its investment in the Operating Partnership.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management will adjust such estimates when facts and circumstances dictate. Such



**NEWLAKE CAPITAL PARTNERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2024  
(Unaudited)

**Note 2 - Basis of Presentation and Summary of Significant Accounting Policies (continued)**

estimates include, but are not limited to, useful lives for depreciation of property and corporate assets, the fair value of acquired real estate and in-place lease intangibles acquired, and the valuation of stock-based compensation. Actual results could differ from those estimates.

***Reclassification***

Certain prior year balances have been reclassified to conform to the Company's current year presentation.

***Significant Accounting Policies***

There have been no changes to the Company's accounting policies included in Note 2 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

***Recently Issued Accounting Pronouncements***

<b>Description</b>	<b>Effective Date</b>	<b>Effect on Financial Statements</b>
In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 aims to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. The update also requires disclosure regarding the chief operating decision maker and expands the interim segment disclosure requirements.	For fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted.	The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements.
In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires entities to disclose additional information with respect to the effective tax rate reconciliation and to disclose the disaggregation by jurisdiction of income tax expense and income taxes paid.	For fiscal years beginning after December 15, 2024, with early adoption permitted.	The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements.

**NEWLAKE CAPITAL PARTNERS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 June 30, 2024  
 (Unaudited)

**Note 3 - Real Estate**

As of June 30, 2024, the Company owned 32 properties, located in 12 states. The following table presents the Company's real estate portfolio as of June 30, 2024 (dollars in thousands):

Tenant	Market	Site Type	Land	Building and Improvements <sup>(1)</sup>	Total Real Estate	Accumulated Depreciation	Net Real Estate
Acreage	Connecticut	Dispensary	\$ 395	\$ 534	\$ 929	\$ (84)	\$ 845
Acreage	Massachusetts	Cultivation	481	9,310	9,791	(1,298)	8,493
Acreage	Pennsylvania	Cultivation	952	9,209	10,161	(1,239)	8,922
Ayr Wellness, Inc.	Nevada	Cultivation	1,002	12,577	13,579	(765)	12,814
Ayr Wellness, Inc.	Pennsylvania	Cultivation	2,963	11,565	14,528	(809)	13,719
C3 Industries	Missouri	Cultivation	948	27,308	28,256	(739) <sup>(2)</sup>	27,517
C3 Industries	Connecticut	Cultivation	321	3,672	3,993	(17)	3,976
Calypso Enterprises	Pennsylvania	Cultivation	1,486	30,527	32,013	(1,919) <sup>(3)</sup>	30,094
Cannabist <sup>(4)</sup>	California	Dispensary	1,082	2,692	3,774	(284)	3,490
Cannabist <sup>(4)</sup>	Illinois	Dispensary	162	1,053	1,215	(107)	1,108
Cannabist <sup>(4)</sup>	Illinois	Cultivation	801	10,560	11,361	(1,085)	10,276
Cannabist <sup>(4)</sup>	Massachusetts	Dispensary	108	2,212	2,320	(251)	2,069
Cannabist <sup>(4)</sup>	Massachusetts	Cultivation	1,136	12,690	13,826	(1,753)	12,073
Cresco Labs	Illinois	Cultivation	276	50,456	50,732	(6,453)	44,279
Curaleaf	Connecticut	Dispensary	184	2,748	2,932	(301)	2,631
Curaleaf	Florida	Cultivation	388	75,595	75,983	(7,435)	68,548
Curaleaf	Illinois	Dispensary	69	525	594	(60)	534
Curaleaf	Illinois	Dispensary	65	959	1,024	(113)	911
Curaleaf	Illinois	Dispensary	606	1,128	1,734	(130)	1,604
Curaleaf	Illinois	Dispensary	281	3,072	3,353	(345)	3,008
Curaleaf	North Dakota	Dispensary	779	1,395	2,174	(157)	2,017
Curaleaf	Ohio	Dispensary	574	2,788	3,362	(365)	2,997
Curaleaf	Pennsylvania	Dispensary	877	1,041	1,918	(152)	1,766
Curaleaf	Pennsylvania	Dispensary	216	2,011	2,227	(225)	2,002
Greenlight <sup>(5)</sup>	Arkansas	Dispensary	238	1,919	2,157	(216)	1,941
Mint	Arizona	Cultivation	2,400	18,128	20,528	— <sup>(6)</sup>	20,528
Organic Remedies	Missouri	Cultivation	204	20,897	21,101	(2,722)	18,379
PharmaCann	Massachusetts	Dispensary	411	1,701	2,112	(339)	1,773
PharmaCann	Ohio	Dispensary	281	1,269	1,550	(60)	1,490
PharmaCann	Pennsylvania	Dispensary	44	1,271	1,315	(130)	1,185
Revolutionary Clinics	Massachusetts	Cultivation	926	41,934	42,860	(3,675)	39,185
Trulieve	Pennsylvania	Cultivation	1,061	43,209	44,270	(4,963)	39,307
<b>Total Real Estate<sup>(7)</sup></b>			<b>\$ 21,717</b>	<b>\$ 405,955</b>	<b>\$ 427,672</b>	<b>\$ (38,191)</b>	<b>\$ 389,481</b>

(1) Includes construction in progress in the amount of \$0.1 million that had been funded as of June 30, 2024.

(2) Building and improvements related to the Missouri cultivation facility (leased to C3 Industries) expansion project that was placed into service. The Company started depreciation on the related assets in June 2024.

(3) A portion of this investment is currently undergoing tenant improvements. Once the tenant improvements are completed for their intended use, the Company will place the tenant improvements in service and begin depreciating the applicable part of the property.

(4) This tenant was formerly known as Columbia Care.

(5) GL Partners, Inc. (Greenlight) acquired the tenant and was added as a guarantor, however Curaleaf remains an additional guarantor subject to certain conditions in the lease agreement.

(6) A portion of this investment is currently under development or undergoing building improvements. Once the development or improvements are completed and placed-in service, the Company will begin depreciating the applicable part of the property.

(7) At times, numbers in this table may differ due to rounding.

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**Note 3 - Real Estate (continued)**

**Real Estate Acquisitions**

*2024 Acquisitions*

In May 2024, the Company purchased a cultivation facility in Connecticut for approximately \$4.0 million and committed to fund approximately \$12.0 million in building and tenant improvements (refer to the *Building and Tenant Improvements* table below for details). The property was simultaneously leased to a related entity of an existing tenant.

The following table presents the real estate acquisition for the six months ended June 30, 2024 (in thousands):

Tenant	Market	Site Type	Closing Date	Real Estate Acquisition Costs
C3 Industries	Connecticut	Cultivation	May 7, 2024	\$ 3,993
<b>Total</b>				<b>\$ 3,993</b>

*2023 Acquisitions*

In March 2023, the Company exercised its option to acquire an adjacent parcel of land to expand its cultivation facility in Missouri and invested \$50 thousand and committed to fund approximately \$16.2 million to expand the facility (refer to the *Building and Tenant Improvements* table below for details).

The following table presents the real estate acquisition for the year ended December 31, 2023 (in thousands):

Tenant	Market	Site Type	Closing Date	Real Estate Acquisition Costs
C3 Industries	Missouri	Cultivation	March 3, 2023	\$ 350
<b>Total</b>				<b>\$ 350</b>

**Real Estate Commitments**

*2024 Building and Tenant Improvements*

During the six months ended June 30, 2024, the Company funded approximately \$1.4 million of building and tenant improvements. The following table presents the funded commitments and the remaining unfunded commitments for the six months ended June 30, 2024 (in thousands):

Tenant	Market	Site Type	Closing Date	Funded Commitments	Unfunded Commitments
Ayr Wellness, Inc.	Pennsylvania	Cultivation	June 30, 2022	\$ —	\$ 750
C3 Industries	Connecticut	Cultivation	May 7, 2024	—	12,024
C3 Industries	Missouri	Cultivation	March 3, 2023	8,065	761
Calypso	Pennsylvania	Cultivation	August 5, 2022	—	987
Mint	Arizona	Cultivation	June 24, 2021	3,306	1,282 <sup>(1)</sup>
<b>Total</b>				<b>\$ 11,371</b>	<b>\$ 15,804</b>

(1) Effective June 6, 2024, the lease agreement was amended to include an additional commitment of approximately \$800 thousand.

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**Note 3 - Real Estate (continued)**

*2023 Building and Tenant Improvements*

During the year ended December 31, 2023, the Company funded approximately \$14.4 million of building and tenant improvements. The following table presents the funded commitments and the remaining unfunded commitments for the year ended December 31, 2023 (in thousands):

Tenant	Market	Site Type	Closing Date	Funded Commitments	Unfunded Commitments
Ayr Wellness, Inc.	Pennsylvania	Cultivation	June 30, 2022	\$ —	\$ 750
C3 Industries	Missouri	Cultivation	April 1, 2022	7,858	8,826
Calypso	Pennsylvania	Cultivation	August 5, 2022	2,013	987
Mint	Arizona	Cultivation	June 24, 2021	4,281	3,788 <sup>(1)</sup>
Organic Remedies	Missouri	Cultivation	December 20, 2021	282	—
<b>Total</b>				<b>\$ 14,434</b>	<b>\$ 14,351</b>

(1) Effective June 1, 2023, the lease agreement was amended to include an additional commitment of approximately \$6.5 million.

*Construction in Progress*

As of June 30, 2024 and December 31, 2023, funded commitments recorded in construction in progress was \$0.1 million and \$24.2 million, respectively, and is classified in "Buildings and Improvements" in the accompanying consolidated balance sheets.

*2024 Construction in Progress*

The below tables presents construction in progress fundings and assets placed in service as of June 30, 2024. Refer below to the *Depreciation and Amortization* section of Note 3 - Real Estate for details around assets placed in service.

Tenant	Site Type	Beginning Balance <sup>(1)</sup>	Fundings	Placed-in-Service	Ending Balance <sup>(2)</sup>
C3 Industries	Cultivation	\$ 7,324	\$ 8,065	\$ (15,389)	\$ —
Calypso	Cultivation	2,013	—	—	2,013
Mint	Cultivation	14,822	3,306	—	18,128
<b>Total</b>		<b>\$ 24,159</b>	<b>\$ 11,371</b>	<b>\$ (15,389)</b>	<b>\$ 20,141</b>

(1) Beginning balance as of January 1, 2024.

(2) These properties were under development or improvement as of June 30, 2024. Once the development is completed or the improvement is completed for its intended use, the assets will be placed-in-service and the Company will begin depreciation.

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**Note 3 - Real Estate (continued)**

*2023 Construction in Progress*

The below tables presents construction in progress fundings and assets placed in service as of December 31, 2023. Refer below to the *Depreciation and Amortization* section of Note 3 - Real Estate for details around assets placed in service.

Tenant	Site Type	Beginning Balance <sup>(1)</sup>	Fundings	Placed-in-Service	Ending Balance <sup>(2)</sup>
C3 Industries	Cultivation	\$ —	\$ 7,324	\$ —	\$ 7,324
Calypso	Cultivation	—	2,013	—	2,013
Mint	Cultivation	10,541	4,281	—	14,822
<b>Total</b>		<b>\$ 10,541</b>	<b>\$ 13,618</b>	<b>\$ —</b>	<b>\$ 24,159</b>

(1) Beginning balance as of January 1, 2023. The table does not include approximately \$6 million of tenant improvements that had been funded as of January 1, 2023 for the development of a cultivation facility in Massachusetts. These tenant improvements were never placed-in-service and the property was sold on October 27, 2023.

(2) These properties were under development or improvement as of December 31, 2023. Once the development is completed or the improvement is completed for its intended use, the assets will be placed-in-service and the Company will begin depreciation.

***Disposal of Real Estate***

*2024 Dispositions*

There were no sales of real estate property investments during the six months ended June 30, 2024.

*2023 Dispositions*

During the year ended December 31, 2023, there was one real estate property sold. On October 27, 2023, the Company closed on the sale of its property in Palmer, Massachusetts, for \$2.0 million, which was leased to Mint. The Company's investment in the property was \$1.9 million. Upon closing, Mint's lease agreement was terminated and they paid a portion of the closing costs, resulting in a break-even sale of the property. Therefore, the Company did not recognize a gain or loss on sale of the property.

***In-place Leases***

The following table presents the future amortization of the Company's acquired in-place leases as of June 30, 2024 (in thousands):

Year	Amortization Expense
2024 (six months ending December 31, 2024)	\$ 993
2025	1,985
2026	1,985
2027	1,985
2028	1,985
Thereafter	9,853
<b>Total</b>	<b>\$ 18,786</b>

**NEWLAKE CAPITAL PARTNERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 3 - Real Estate (continued)**

***Depreciation and Amortization***

For both the three months ended June 30, 2024 and 2023, depreciation expense on the Company's real estate assets was approximately \$1.1 million. Depreciation expense on the Company's real estate assets for the six months ended June 30, 2024 and 2023, was approximately \$6.2 million and \$6.1 million, respectively.

Amortization of the Company's acquired in-place lease intangible assets was approximately \$0.5 million for both the three months ended June 30, 2024 and 2023. Amortization of the Company's acquired in-place lease intangible assets was approximately \$1.0 million for both the six months ended June 30, 2024 and 2023. The acquired in-place lease intangible assets have a weighted average remaining amortization period of approximately 9.72 years.

***Impairment***

The Company did not identify any situations in its review of tenant activities and changes in the business condition of all of its properties that would require the recognition of an impairment loss. Accordingly, the Company did not record an impairment loss for the three months ended June 30, 2024 and June 30, 2023, respectively.

**Note 4 - Leases**

***As Lessor***

The Company's properties are leased to single tenants on a long-term, triple-net basis, which obligates the tenant to be responsible for the ongoing expenses of a property, in addition to its rent obligations. Under certain circumstances the Company will pay for certain expenses on behalf of the tenant and the tenant is required to reimburse the Company. The presentation in the statements of operations for these expenses are gross where the Company records revenue and a corresponding reimbursable expense. Expenses paid directly by a tenant are not reimbursable and therefore are not reflected in the statements of operations. The expense and reimbursable amounts may differ due to timing, since the revenue is recorded on a cash basis. The revenues associated with the reimbursable expenses were classified in "Fees and Reimbursables" in the accompanying consolidated statements of operations. For the three months ended June 30, 2024 and 2023, the reimbursable revenues were \$18.4 thousand and \$14.3 thousand, respectively. For the six months ended June 30, 2024, and 2023 the reimbursable revenues were \$18.2 thousand, and \$97.4 thousand, respectively. Reimbursable expenses are classified as "Property Expenses" in the accompanying consolidated statements of operations.

The Company's tenants operate in the cannabis industry. All of the Company's leases generally contain annual increases in rent (typically between 2% and 3%) over the expiring rental rate at the time of expiration. Certain leases of the Company also contain an Improvement Allowance ("IA"). IA is generally available to be funded between 12 and 18 months. In some leases, the tenant becomes liable to pay rent as if the full IA has been funded, even if there are still unfunded commitments. IA also contains annual increases which generally increase at the same rate as base rent, per the lease agreement.

Certain of the Company's leases provide the lessee with a right of first refusal or right of first offer in the event the Company markets the leased property for sale. During the fourth quarter of 2023, the Company granted Calypso a purchase option to purchase the leased property and during the first quarter of 2024, the tenant was out of compliance with certain provisions of the lease and as a result the purchase option was terminated. As of June 30, 2024, the Company had two leases that provided the lessee with a purchase option to purchase the leased property at the end of the initial lease term in December 2029, subject to the satisfaction of certain conditions. The purchase option provision allows the lessee to purchase the leased property for an amount based on the fair market value of the Company's investment. As of June 30, 2024, the Company's gross investment in these two properties was approximately \$6.3 million.

**NEWLAKE CAPITAL PARTNERS, INC.**  
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**Note 4 - Leases (continued)**

*Lease Income*

The following table presents the future contractual minimum rent under the Company's operating leases as of June 30, 2024 (in thousands):

Year	Contractual Minimum Rent
2024 (six months ending December 31, 2024)	\$ 25,448
2025	52,587
2026	55,042
2027	56,473
2028	57,942
Thereafter	577,019
<b>Total</b>	<b>\$ 824,511</b>

*Credit Risk and Geographic Concentration*

The ability of any of the Company's tenants to honor the terms of its lease are dependent upon the economic, regulatory, competitive, natural and social factors affecting the community in which that tenant operates. As of June 30, 2024 and December 31, 2023, the Company owned 32 and 31 properties, respectively, leased to 13 tenants across 12 states including Arizona, Arkansas, California, Connecticut, Florida, Illinois, Massachusetts, Missouri, Nevada, North Dakota, Ohio, and Pennsylvania.

The following table presents the tenants in the Company's portfolio that represented the largest percentage of the Company's total rental income and fees, excluding reimbursable revenues, for each of the periods presented:

For the Three Months Ended June 30,					
2024			2023		
Tenant	Number of Leases	Percentage of Rental Income <sup>(1)</sup>	Tenant	Number of Leases	Percentage of Rental Income <sup>(1)(2)</sup>
Curaleaf	10	23%	Curaleaf	10	25%
Cresco Labs	1	14%	Cresco Labs	1	14%
Trulieve	1	11%	Trulieve	1	12%
Cannabist <sup>(3)</sup>	5	9%	Cannabist <sup>(3)</sup>	5	9%
Calypso	1	7%	Calypso	1	8%

(1) Calculated based on rental income received during the period. This amount includes fees and excludes revenue reimbursables.

(2) Prior year presentation has been recalculated to exclude revenue reimburseables to conform to current year presentation.

(3) This tenant was formerly known as Columbia Care.

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**Note 4 - Leases (continued)**

**For the Six Months Ended June 30,**

2024			2023		
Tenant	Number of Leases	Percentage of Rental Income <sup>(1)</sup>	Tenant	Number of Leases	Percentage of Rental Income <sup>(1)(2)</sup>
Curaleaf	10	23%	Curaleaf	10	25%
Cresco Labs	1	14%	Cresco Labs	1	15%
Trulieve	1	11%	Trulieve	1	12%
Cannabist <sup>(3)</sup>	5	9%	Cannabist <sup>(3)</sup>	5	9%
Calypso	1	7%	Calypso	1	9%

(1) Calculated based on rental income received during the period. This amount includes fees and excludes revenue reimbursements.

(2) Prior year presentation has been recalculated to exclude revenue reimburseables to conform to current year presentation.

(3) This tenant was formerly known as Columbia Care.

The following table presents the states in the Company's portfolio that represented the largest percentage of the Company's total rental income and fees, excluding reimbursable revenues, for each of the periods presented:

**For the Three Months Ended June 30,**

2024			2023		
State	Number of Properties	Percentage of Rental Income <sup>(1)</sup>	State	Number of Properties	Percentage of Rental Income <sup>(1)</sup>
Pennsylvania	7	26%	Pennsylvania	7	29%
Florida	1	19%	Florida	1	20%
Illinois	7	18%	Illinois	7	19%
Massachusetts	5	13%	Massachusetts	6 <sup>(2)</sup>	12%
Missouri	2	11%	Missouri	2	8%

(1) Calculated based on rental income received during the period. This amount includes fees and excludes revenue reimbursables.

(2) Included in the number of properties and revenue is one Massachusetts property sold in October 2023.

**For the Six Months Ended June 30,**

2024			2023		
State	Number of Properties	Percentage of Rental Income <sup>(1)</sup>	State	Number of Properties	Percentage of Rental Income <sup>(1)</sup>
Pennsylvania	7	26%	Pennsylvania	7	29%
Florida	1	19%	Florida	1	20%
Illinois	7	18%	Illinois	7	20%
Massachusetts	5	13%	Massachusetts	6 <sup>(2)</sup>	12%
Missouri	2	10%	Missouri	2	8%

(1) Calculated based on rental income received during the period. This amount includes fees and excludes revenue reimbursables.

(2) Included in the number of properties and revenue is one Massachusetts property sold in October 2023.

**As Lessee**

As of June 30, 2024, the Company was the lessee under one office lease for a term of four years, subject to annual escalations. The annual rent payments range from approximately \$72.0 thousand in year one to approximately \$85.0 thousand in year four. The office lease qualifies under the right-of-use ("ROU") model. Upon entering into



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**Note 4 - Leases (continued)**

the lease in June 2022, the Company recorded a ROU asset of \$273 thousand which was classified in "Other Assets" and a lease liability, which is classified in "Other Liabilities" in the accompanying consolidated balance sheets. The ROU balance as of June 30, 2024 and December 31, 2023, were approximately \$44.8 thousand and \$177.4 thousand, respectively. The ROU asset is amortized over the remaining lease term. The amortization is made up of the principal amortization under the lease liability plus or minus the straight-line adjustment of the operating lease rent.

The following table presents the future contractual rent obligations as lessee as of June 30, 2024 (in thousands):

Year	Contractual Base Rent
2024 (six months ended December 31, 2024)	\$ 38
2025	77
2026	52
<b>Total Minimum Lease Payments</b>	<b>\$ 167</b>
Less: Amount Discounted Using Incremental Borrowing Rate	(14)
<b>Total Lease Liability</b>	<b>\$ 153</b>

As of June 30, 2024, the weighted-average discount rate used to calculate the lease liability was 5.65% and the remaining lease term was 2.17 years.

**Note 5 – Loan Receivable, net**

**Loan Receivable**

The Company funded a \$5.0 million unsecured loan to C3 Industries on June 10, 2022. The loan initially bore interest at a rate of 0.25% and is structured to increase annually in April by the product of 1.0225 times the interest rate in effect immediately prior to the anniversary date. The loan is interest only for the first four years and can be prepaid at any time without penalty. If full principal payment on the loan is not made on June 30, 2026, the loan will begin amortizing principal and interest over the next five years, with a final maturity of June 30, 2031. The loan is cross defaulted with their lease agreement with the Company. As of June 30, 2024 and December 31, 2023, the loan earned interest at a rate of 10.72% and 10.48%, respectively, and the aggregate principal amount outstanding on the unsecured loan receivable as of June 30, 2024 and December 31, 2023, was \$5.0 million.

**CECL Reserve**

The Company recorded a provision for current expected credit loss on the \$5.0 million unsecured loan (discussed above). Estimating the CECL allowance for credit loss requires significant judgement. The Company used a discounted cash flow analysis to determine the expected credit loss. The following table presents the CECL reserve for the six months ended June 30, 2024 (in thousands):

Period	Expected Credit Loss
CECL reserve as of December 31, 2023	\$ 166.7
Adjustment to expected credit loss	(14.3)
CECL reserve as of March 31, 2024	152.4
Adjustment to expected credit loss	(11.8)
CECL reserve as of June 30, 2024 <sup>(1)</sup>	\$ 140.6

(1) Included in "Loan Receivable, net" on the consolidated balance sheets.

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**Note 6 – Financings**

***Loan Payable***

In connection with the purchase and leaseback of a cultivation facility in Chaffee, Missouri on December 20, 2021, the Company entered into a \$.8 million loan payable to the seller, which was an independent third party from the tenant. The loan bore interest at a rate of 4.0% per annum. Principal on the loan was payable in annual installments of which \$1.8 million and \$1.0 million were paid in January 2022 and January 2023, respectively. On January 3, 2024, the Company made its final annual principal and interest payment of approximately \$1.0 million on its loan payable.

***Revolving Credit Facility***

On May 6, 2022, the Operating Partnership entered into a loan and security agreement (the “Loan and Security Agreement”) with a commercial federally regulated bank, as a lender and as agent for lenders that become party thereto from time to time. The Loan and Security Agreement matures on May 6, 2027. The Loan and Security Agreement provides, subject to the accordion feature described below, \$30.0 million in aggregate commitments for secured revolving loans (“Revolving Credit Facility”), the availability of which is based on a borrowing base consisting of fee simple owned real properties that satisfy eligibility criteria specified in the Loan and Security Agreement and the lease income thereunder which are owned by certain subsidiaries of the Operating Partnership.

On July 29, 2022, the Operating Partnership, entered into an amendment to the Revolving Credit Facility, amending the Loan and Security Agreement, to increase the aggregate commitment under the Revolving Credit Facility from \$30.0 million to \$90.0 million and added two additional lenders. The Loan and Security Agreement also allows the Company, subject to certain conditions, to request additional revolving incremental loan commitments such that the Revolving Credit Facility may be increased to a total aggregate principal amount of up to \$100.0 million. Borrowings under the Revolving Credit Facility may be voluntarily prepaid and re-borrowed, subject to certain fees.

The Revolving Credit Facility bears a fixed rate of 5.65% for the first three years and thereafter a variable rate based upon the greater of (a) the Prime Rate quoted in the Wall Street Journal (Western Edition) plus an applicable margin of 1.0% or (b) 4.75%.

As of June 30, 2024 and December 31, 2023, the Company had approximately \$7.6 million and \$1.0 million, respectively, outstanding under the Revolving Credit Facility. As of June 30, 2024, there was \$82.4 million in funds available to be drawn, subject to sufficient collateral in the borrowing base.

The facility is subject to certain liquidity and operating covenants and includes customary representations and warranties, affirmative and negative covenants, and events of default. As of June 30, 2024, the Company was in compliance with the terms of such covenants under the agreement.

**Note 7 - Related Party Transactions**

***Investor Rights Agreement***

Pursuant to our Investor Rights Agreement (the "Investor Rights Agreement"), HG Vora Capital Management, LLC (“HG Vora”), West Investment Holdings, LLC, West CRT Heavy, LLC, Gary and Mary West Foundation, Gary and Mary West Charitable Trust, Gary and Mary West 2012 Gift Trust and WFI Co-Investments, acting unanimously, collectively referred to as the “West Stockholders” and NL Ventures LLC (“Pangea”) hold certain nomination rights with respect to members of our board of directors so long as they individually own in the aggregate certain percentages of the Company’s issued and outstanding common stock for 60 days consecutively.

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**Note 8 - Noncontrolling Interests**

The Company's noncontrolling interests represent limited partnership interests in the Operating Partnership not held by the Company. Noncontrolling interests represented approximately 1.8% ownership interest in the Operating Partnership at June 30, 2024 and December 31, 2023.

**Note 9 - Stock Based Compensation**

The Company's board of directors adopted our 2021 Equity Incentive Plan (the "Plan"), to provide employees of the Company and its subsidiaries, certain consultants and advisors who perform services for the Company or its subsidiaries, and non-employee members of the board of directors of the Company with the opportunity to receive grants of incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, stock units, other stock-based awards, and cash awards to enable the Company to motivate, attract and retain the services of directors, officers and employees considered essential to the long term success of the Company. Under the terms of the Plan, the aggregate number of shares of awards will be no more than 2,275,727 shares. If and to the extent shares of awards granted under the Plan, expire or are canceled, forfeited, exchanged or surrendered without having been exercised, or if any stock awards, stock units or other stock-based awards are forfeited, terminated or otherwise not paid in full, the shares subject to such grants shall again be available for issuance or transfer under the Plan. The Plan has a term of ten years until August 12, 2031. As of June 30, 2024, there were approximately 1,788,933 shares available for issuance under the Plan, which assumes maximum performance is achieved with respect to Performance Stock Units ("PSUs").

***Restricted Stock Units***

Restricted Stock Units ("RSUs") are granted to certain directors, officers and employees of the Company. Per the terms of the agreements, certain director RSUs that vest cannot be converted until the director separates from the Company. Total outstanding RSUs as of June 30, 2024 and 2023 were 139,499 and 106,820, respectively.

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**Note 9 - Stock Based Compensation (continued)**

*Unvested Restricted Stock Units*

The following table sets forth the Company's unvested RSU activity for the six months ended June 30,:

	2024		2023	
	Number of Unvested Shares of RSUs	Weighted Average Grant Date Fair Value Per Share	Number of Unvested Shares of RSUs	Weighted Average Grant Date Fair Value Per Share
Balance at January 1,	63,582	\$ 13.92	29,255	\$ 22.89
Granted	49,014	\$ 17.40	59,031	\$ 12.87
Forfeited	(740)	\$ 15.19	—	\$ —
Vested	(40,610) <sup>(1)</sup>	\$ 12.64	(18,318)	\$ 20.14
Balance at June 30,	71,246	\$ 17.03	69,968	\$ 15.15

(1) Vested shares are reported gross and include 2,846 shares withheld to satisfy tax and other compensation related withholdings associated with the vested RSUs issued under the 2021 Equity Incentive Plan.

*Vested Restricted Stock Units*

The following table sets forth the Company's vested RSU activity for the six months ended June 30,:

	2024		2023	
	Number of Vested Shares of RSUs	Weighted Average Grant Date Fair Value Per Share	Number of Vested Shares of RSUs	Weighted Average Grant Date Fair Value Per Share
Balance at January 1,	36,852	\$ 22.05	18,534	\$ 23.93
Vested	40,610 <sup>(1)</sup>	\$ 12.64	18,318	\$ 20.14
Converted	(6,363)	\$ 13.38	—	\$ —
Shares Withheld <sup>(2)</sup>	(2,846)	\$ 13.38	—	\$ —
Balance at June 30,	68,253	\$ 17.62	36,852	\$ 22.05

(1) Represents the gross number of RSUs vested, which includes 2,846 shares withheld for taxes and not converted to common stock.

(2) Represents shares withheld to satisfy tax and other compensation related withholdings associated with the vested RSUs issued under the 2021 Equity Incentive Plan.

Each restricted stock unit represents the right to receive one share of common stock upon vesting. The vested RSUs are also entitled to receive an accumulated dividend payment equal to the dividend paid on each share of common stock during the vesting period. During the six months ended June 30, 2024 and 2023, the Company paid \$83.0 thousand and \$35.3 thousand respectively, of accumulated dividends that became earned upon vesting of RSUs. Accrued unearned dividends on unvested RSUs as of June 30, 2024 and 2023, were \$95,181 and \$61,468, respectively.

The amortization of compensation costs for the RSU awards are classified in "Compensation Expense" in the accompanying consolidated statements of operations and amounted to approximately \$0.2 million for both the three months ended June 30, 2024 and 2023, respectively. The amortization of compensation costs for the RSU awards amounted to approximately \$0.4 million and \$0.3 million for the six months ended June 30, 2024 and 2023, respectively. The remaining unrecognized compensation cost of approximately \$1.0 million for RSU awards is expected to be recognized over a weighted average amortization period of 1.3 years as of June 30, 2024.

**NEWLAKE CAPITAL PARTNERS, INC.**  
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**Note 9 - Stock Based Compensation (continued)**

***Performance Stock Units***

PSUs are granted to officers and certain employees of the Company. Total outstanding PSUs as of June 30, 2024 and 2023, were 159,522 and 121,858, respectively.

The following table sets forth the Company's unvested PSU activity for the six months ended June 30,:

	2024		2023	
	Number of Unvested Shares of PSUs	Weighted Average Grant Date Fair Value Per Share	Number of Unvested Shares of PSUs	Weighted Average Grant Date Fair Value Per Share
Balance at January 1,	103,000	\$ 17.18	66,841	\$ 24.04
Granted	56,522	\$ 17.30	55,017	\$ 11.23
Balance at June 30,	159,522	\$ 17.22	121,858	\$ 18.26

PSUs vest subject to the achievement of relative total shareholder return as measured against a peer group of companies and absolute compounded annual growth in stock price during each performance period. The actual number of shares of common stock issued will range from 0 to 319,044 depending upon performance. The performance periods are January 1, 2022 through December 31, 2024, January 1, 2023 through December 31, 2025 and January 1, 2024 through December 31, 2026 and 47,983, 55,017 and 56,522 PSUs are scheduled to vest at the end of each performance period, respectively.

The fair value of PSUs is determined using a Monte Carlo simulation for our future stock price and the future stock price of a corresponding peer group. The grant date fair value is an equally weight value comprised of (i) total shareholder return of the Company and a peer group of companies ("rTSR"); and (ii) the Company's absolute compound annual growth rate ("CAGR"). To derive the value of rTSR, the Company uses a stochastic stock price simulation model using Geometric Brownian Motion ("GBM") to model the future stock prices of the Company and the peer group companies. The key inputs to the GBM model include the standard deviation of the movement of the share price, also expressed as stock price volatility. Historical volatility is analyzed for the Company and peer group companies based on publicly traded shares of common stock. The model also assists in deriving a value of the Company's CAGR which is then subjected to the vesting percentages according to the terms of the PSU agreements. The key inputs to calculate CAGR are the ending stock price, initial stock price and vesting period. The GBM simulates the ending stock price that is used in the CAGR model to determine the grant date fair value.

Using the above methodology, grant date fair values of \$24.00, \$11.23 and \$17.30 were used for PSUs with performance periods ending December 31, 2024, 2025 and 2026, respectively. PSUs are subject to restrictions on transfer and may be subject to a risk of forfeiture if the award recipient ceases to be an employee of the Company prior to vesting of the award.

Each PSU represents the right to receive one share of common stock upon vesting. Upon vesting, each PSU is also entitled to receive an accumulated dividend payment equal to the dividend paid on each share of common stock during the performance period. If PSUs do not meet the performance hurdles and are cancelled, no dividends are paid on the cancelled units. During the six months ended June 30, 2024 and 2023, no PSUs vested and therefore the Company did not pay any dividends. Unearned dividends on unvested PSUs as of June 30, 2024 and 2023, were \$379,679 and \$212,021, respectively.

The amortization of compensation costs for the PSU awards are included in "Compensation Expense" in the accompanying consolidated statements of operations and amounted to approximately \$0.2 million for both the three months ended June 30, 2024 and 2023. The amortization of compensation costs for the PSU awards

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**Note 9 - Stock Based Compensation (continued)**

amounted to approximately \$0.4 million for both the six months ended June 30, 2024 and 2023. The remaining unrecognized compensation cost of approximately \$1.4 million for PSU awards is expected to be recognized over a weighted average amortization period of 2.0 years as of June 30, 2024.

***Stock Options***

Prior to the completion of the initial public offering ("IPO"), the Company issued 791,790 nonqualified stock options (the "Options") to purchase shares of the Company's common stock, subject to the terms and conditions of the applicable option grant agreements, with an exercise price per share of common stock equal to \$24.00 and in such amounts as set forth in the option grant agreements. The Options vested on August 31, 2020. As of June 30, 2024 and 2023, the Options were fully exercisable and expire on July 15, 2027.

**Note 10 - Warrants**

***Warrants Issued***

On March 17, 2021, the Company entered into a warrant agreement which granted the holder the right to purchase 602,392 shares of common stock of the Company at a purchase price of \$24.00 per share. Warrants were immediately exercisable and expire on July 15, 2027. As of June 30, 2024 and 2023, 602,392 warrants were fully exercisable.

***Investment in Warrants***

On October 27, 2023, the Company entered into a lease amendment and forbearance agreement for its existing lease agreement with Revolutionary Clinics on its cultivation facility in Massachusetts. Under the forbearance agreement, the Company provided forbearance of delinquent rent and received warrants. The warrants are accounted for under ASC 321. The Company elected to use the measurement alternative to value its investment in warrants, since the fair value was not readily determinable. The investment in warrants is classified in "Other Assets" in the consolidated balance sheets at its initial cost value of \$522 thousand. The cost value was determined based upon the implied recapitalized equity value of Revolutionary Clinics.

**Note 11 - Stockholders' Equity**

***Preferred Stock***

As of June 30, 2024 and December 31, 2023, the Company had 100,000,000 shares of preferred stock authorized and 0 shares of preferred stock outstanding.

***Common Stock***

As of June 30, 2024 and December 31, 2023, the Company had 400,000,000 shares of common stock authorized and 20,509,883 and 20,503,520 shares, respectively, of common stock issued and outstanding. Common stock is issued at a par value of \$0.01 per share.

***Stock Repurchase Program***

On November 7, 2022, the board of directors of the Company authorized a stock repurchase program of its common stock up to \$0.0 million through December 31, 2023. Purchases made pursuant to the stock repurchase program will be made in the open market, in privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b-18 of the Securities and Exchange Act of 1934, as amended. The authorization of the stock repurchase program does not obligate the Company to acquire any particular amount of common stock. The timing, manner, price and amount of any repurchases will be determined by the Company in

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**Note 11 - Stockholders' Equity (continued)**

its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. On September 15, 2023, the board of directors of the Company authorized an amendment to the stock repurchase program for the repurchase of up to an additional \$10.0 million of outstanding common stock and extended the stock repurchase program through December 31, 2024. The stock repurchase program may be suspended or discontinued by us at any time and without prior notice.

The Company did not acquire any shares of common stock pursuant to the stock repurchase plan during the six months ended June 30, 2024. During the six months ended June 30, 2023, pursuant to the stock repurchase plan, the Company acquired 105,679 shares of common stock with an average purchase price, including commissions, of \$12.62, totaling approximately \$1.3 million. The remaining availability under the stock repurchase program as of June 30, 2024, was approximately \$8.2 million.

***At the Market Equity Program***

On June 10, 2024, the Company entered into an Equity Distribution Agreement ("Equity Distribution Agreement"), relating to shares of its common stock, \$0.01 par value per share, pursuant to an "at the market" offering program. In accordance with the terms of the Equity Distribution Agreement, the Company may offer and sell shares of its common stock having an aggregate offering amount of up to \$50.0 million from time to time through a sales agent.

Sales of the shares of the Company's common stock, if any, may be made in negotiated transactions or by means of ordinary brokers' transactions on the OTCQX at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices or through a market maker other than on an exchange, directly on or through any other existing trading market or by any other method permitted by law, including but not limited to in privately negotiated transactions and in block trades.

Total compensation payable to the sales agent for its services acting as an agent, principal and/or advisor, as applicable, will not exceed 2.0% of the gross sales price per share for any shares of common stock sold from time to time under the Equity Distribution Agreement. Under the terms of the Equity Distribution Agreement, the Company may also sell its common stock to the sales agent as principal for its own account at a price agreed upon at the time of sale.

As of June 30, 2024, no shares of common stock had been issued under the At-the-Market Equity Program ("ATM Program").

***Dividends***

The following tables describe the cash dividends declared on the Company's common stock and vested RSUs and in the Company's capacity as general partner of the operating partnership, authorized distributions on our OP Units declared by the Company during the six months ended June 30, 2024 and 2023:

<b>Declaration Date</b>	<b>Record Date</b>	<b>Period Covered</b>	<b>Distributions Paid Date</b>	<b>Amount per Share/Unit</b>
March 8, 2024	March 29, 2024	January 1, 2024 to March 31, 2024	April 15, 2024	\$ 0.41
June 12, 2024	June 28, 2024	April 1, 2024 to June 30, 2024	July 15, 2024	\$ 0.43
<b>Total</b>				<b>\$ 0.84</b>

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**Note 11 - Stockholders' Equity (continued)**

Declaration Date	Record Date	Period Covered	Distributions Paid Date	Amount per Share/Unit
March 7, 2023	March 31, 2023	January 1, 2023 to March 31, 2023	April 14, 2023	\$ 0.39
June 15, 2023	June 30, 2023	April 1, 2023 to June 30, 2023	July 14, 2023	\$ 0.39
<b>Total</b>				<b>\$ 0.78</b>

**Note 12 - Earnings Per Share**

The following table presents the computation of basic and diluted earnings per share (in thousands, except share and per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net Income Attributable to Common Stockholders	\$ 6,796	\$ 5,797	\$ 13,665	\$ 11,665
Add: Net Income Attributable to Noncontrolling Interest	122	101	247	203
Net Income	<u>\$ 6,918</u>	<u>\$ 5,898</u>	<u>\$ 13,912</u>	<u>\$ 11,868</u>
<b>Denominator:</b>				
Weighted Average Shares of Common Stock Outstanding - Basic	20,555,362	21,369,489	20,548,601	21,396,330
Dilutive Effect of OP Units	373,582	373,582	373,582	373,582
Dilutive Effect of Unvested Restricted Stock Units	22,435	—	24,622	—
Weighted Average Shares of Common Stock - Diluted	<u>20,951,379</u>	<u>21,743,071</u>	<u>20,946,805</u>	<u>21,769,912</u>
<b>Earnings Per Share - Basic</b>				
Net Income Attributable to Common Stockholders	<u>\$ 0.33</u>	<u>\$ 0.27</u>	<u>\$ 0.66</u>	<u>\$ 0.55</u>
<b>Earnings Per Share - Diluted</b>				
Net Income Attributable to Common Stockholders	<u>\$ 0.33</u>	<u>\$ 0.27</u>	<u>\$ 0.66</u>	<u>\$ 0.55</u>

During the three and six months ended June 30, 2024, the effect of including OP Units and unvested RSUs were included in the Company's calculation of weighted average shares of common stock outstanding - dilutive. During the three and six months ended June 30, 2023, the effect of including OP Units was included in the Company's calculation of weighted average shares of common stock outstanding - dilutive and the effect of unvested RSUs was excluded in the Company's weighted average shares of common stock outstanding - dilutive as their inclusion would have been anti-dilutive. During the three and six months ended June 30, 2024 and 2023, the effect of 791,790 and 615,838 outstanding stock options and warrants, respectively, were excluded in the Company's calculation of weighted average shares of common stock outstanding - diluted as their inclusion would have been anti-dilutive. During the three and six months ended June 30, 2024 and 2023, the Company did not include the effect of 159,522 and 121,858 outstanding PSUs, respectively, in the calculation of earnings per share. The effect of the outstanding PSUs were not included in the calculation of diluted earnings per share as the market condition for the PSUs had not been met as of June 30, 2024 and June 30, 2023.



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**Note 13 – Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs that are supported by little or no market activities, therefore requiring an entity to develop its own assumptions.

The following table presents the carrying value and estimated fair value of financial instruments at June 30, 2024 and December 31, 2023 (in thousands):

	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
	<b>Carrying Value</b>	<b>Estimated Fair Value</b>	<b>Carrying Value</b>	<b>Estimated Fair Value</b>
Note Receivable <sup>(1)</sup>	\$ 4,859	\$ 4,741	\$ 4,833	\$ 4,748
Revolving Credit Facility <sup>(2)</sup>	\$ 7,600	\$ 7,338	\$ 1,000	\$ 968
Loan Payable <sup>(2)(3)</sup>	\$ —	\$ —	\$ 1,000	\$ 992

(1) The fair value measurement of the \$0 million Note Receivable is based on unobservable inputs, and as such, is classified as Level 3. The carrying value as of June 30, 2024 and December 31, 2023, reflects the provision for current expected credit loss of \$140.6 thousand and \$166.7 thousand, respectively.

(2) The fair value of the Company's Revolving Credit Facility and Loan Payable are based on observable inputs, and as such, are classified as Level 2.

(3) The Company made its final installment payment on its loan payable on January 3, 2024.

As of June 30, 2024 and December 31, 2023, the Company's investment in warrants was valued based on the initial investment, less impairment. The Company determined the investment was not impaired as of June 30, 2024 and December 31, 2023. Since these securities are not actively traded, the Company will apply valuation adjustments if and when such indicators become available. As such, these securities are carried at cost and are classified as Level 3 of the fair value hierarchy.

As of June 30, 2024 and December 31, 2023, the carrying amounts of financial instruments such as cash and cash equivalents, accounts payable and accrued expenses and other liabilities approximate their fair values due to the generally short-term nature and the market rates of interest of these instruments. As such, these financial instruments are classified as Level 1.

**Note 14 - Income Taxes**

As a REIT, the Company is not subject to federal income tax to the extent that it makes qualifying distributions to its stockholders, and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution, and stock ownership tests. The state and local tax jurisdictions for which the Company is subject to tax-filing obligations recognize the Company's status as a REIT, and therefore, the Company generally does not pay income tax in such jurisdictions. The Company may, however, be subject to certain minimum state and local tax filing fees as well as certain excise, franchise, or business taxes.

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**Note 14 - Income Taxes (continued)**

*Taxable REIT Subsidiaries*

In October 2023, the Company elected to treat a domestic subsidiary as a TRS. The TRS is subject to U.S. federal, state and local corporate income taxes at the current federal statutory rate of 21%. The Company's effective tax rate differs from its combined U.S. federal, state and local corporate statutory tax rate primarily due to income earned at the REIT, which is not subject to tax, due to the deduction for qualifying distributions made by the Company. For the three and six months ended June 30, 2024, the TRS had limited activity and did not generate taxable income.

**Note 15 - Commitments and Contingencies**

As of June 30, 2024, the Company had aggregate unfunded commitments to invest approximately \$15.8 million to develop and improve our existing cultivation facilities in Arizona, Connecticut, Missouri, and Pennsylvania. Refer to Note 3 - "Real Estate" for further details on the Company's commitments. Refer to Note 16 - "Subsequent Events" for details on commitments the Company funded after June 30, 2024.

As of June 30, 2024 the Company is the lessee under one office lease. Refer to Note 4 - "Leases" for further information.

The Company owns a portfolio of properties that it leases to entities which cultivate, harvest, process and distribute cannabis. Cannabis is an illegal substance under the Controlled Substances Act. Although the operations of the Company's tenants are legalized in the states and local jurisdictions in which they operate, the Company and its tenants are subject to certain risks and uncertainties associated with conducting operations subject to conflicting federal, state and local laws in an industry with a complex regulatory environment which is continuously evolving. These risks and uncertainties include the risk that the strict enforcement of federal laws regarding cannabis would likely result in the Company's inability, and the inability of its tenants, to execute their respective business plans.

**Note 16 - Subsequent Events**

*Funded Commitments*

Subsequent to June 30, 2024, the Company funded approximately \$1.2 million of improvements for its cultivation facility in Arizona and Pennsylvania.

*Condition of our Tenants*

Revolutionary Clinics failed to pay 50% of its June and July 2024 contractual rent under its lease agreement. The Company is currently in discussion with the tenant to negotiate a resolution, which could include rent deferrals or other concessions.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**SPECIAL NOTE REGARDING FORWARD LOOKING INFORMATION**

NewLake Capital Partners, Inc. ("the Company," "we," "our," "us,") makes statements in this Quarterly Report on Form 10-Q ("Form 10-Q") that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, statements pertaining to our capital resources, property performance, leasing rental rates, future dividends and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations, adjusted funds from operations, anticipated market conditions, demographics, and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believe," "continue," "could," "expect," "may," "will," "should," "would," "seek," "approximately," "intend," "plan," "pro forma," "estimates," "forecast," "project," or "anticipate" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- 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;
- reduced liquidity of our common stock resulting from limited availability of clearing firms that will settle our securities and settle our securities in secondary offerings;
- general economic conditions;
- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;
- other factors affecting the real estate industry generally;
- the impacts of the potential rescheduling of cannabis;
- increase in interest rates and operating costs;
- the impact of inflation;
- financial market fluctuations;
- the competitive environment in which we operate;
- the estimated growth in and evolving market dynamics of the regulated cannabis market;
- adverse economic effects on the cannabis market;
- the expected medical-use or adult-use cannabis legalization in certain states;
- shifts in public opinion regarding regulated cannabis;
- the additional risks that may be associated with certain of our tenants cultivating adult-use cannabis in our cultivation facilities;
- the risks associated with the development of cultivation centers and dispensaries;

- our ability to successfully identify opportunities in target markets;
- the lack of tenant security deposits will impact our ability to recover rents should our tenants default under their respective lease agreement;
- our status as an emerging growth company and a smaller reporting company;
- our lack of an extensive operating history;
- the concentration of our tenants in certain geographical areas;
- our failure to generate sufficient cash flows to service any outstanding indebtedness;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- our failure to acquire the properties in our identified pipeline successfully, on the anticipated timeline or at the anticipated costs;
- our failure to properly assess employment growth or other trends in target markets and other markets in which we seek to invest;
- lack or insufficient amounts of insurance;
- bankruptcy or insolvency of a significant tenant or a substantial number of smaller tenants;
- our access to certain financial resources, including banks and other financial institutions;
- our failure to successfully operate acquired properties;
- our ability to operate successfully as a public company;
- our dependence on key personnel and ability to identify, hire and retain qualified personnel in the future;
- conflicts of interests with our officers and/or directors stemming from their fiduciary duties to other entities, including our operating partnership;
- our failure to obtain necessary outside financing on favorable terms or at all;
- general volatility of the market price of our common stock;
- changes in U.S. generally accepted accounting principles ("GAAP");
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- our failure to maintain our qualification as a REIT for federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this report, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading

"Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2023 included in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q.

This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Information" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in our most recent annual report on Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.

## Overview

NewLake Capital Partners, Inc., ("the "Company," "we," "our," "us,") is an internally managed REIT and a leading provider of real estate capital to state-licensed cannabis operators primarily through sale-leaseback transactions, third-party purchases and funding for build-to-suit projects. Our properties are leased to single tenants on a long-term, triple-net basis, which obligates the tenant for the ongoing expenses of the leased property, in addition to its rent obligations.

We were incorporated in Maryland on April 9, 2019. We conduct our business through a traditional umbrella partnership REIT structure, in which properties are owned by an operating partnership, directly or through subsidiaries. We are the sole general partner of our operating partnership and currently own approximately 98% of the OP Units. We have elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ended December 31, 2019 and intend to operate our business so as to continue to qualify as a REIT.

As of June 30, 2024, we owned a geographically diversified portfolio consisting of 32 properties across 12 states with 13 tenants, comprised of 17 dispensaries and 15 cultivation facilities.

## Emerging Growth Company

We have elected to be an emerging growth company, as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company, among other things:

- We are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;
- We are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- We are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We have elected to use an extended transition period for complying with new or revised accounting standards.

We may take advantage of the other provisions for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest to occur of: (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.2 billion (subject to adjustment for inflation), (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, (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period, or (iv) the last day of the fiscal year following the fifth anniversary of our initial public offering.

## Factors Impacting Our Operating Results

Our results of operations are affected by a number of factors and depend on the rental revenue we receive from the properties that we own, interest income we receive from the loans we originate, the timing of lease expirations, general

market conditions, the regulatory environment in the cannabis industry, and the competitive environment for real estate assets that support the cannabis industry.

### ***Rental Revenues***

We generate rental income from our real estate properties that we own and from any real estate properties that we expect to acquire in the future. The amount of rental income depends upon a number of factors, including:

- Our ability to enter into new leases at market value rents inclusive of annual rent increases; and
- Rent collection, which primarily relates to each of our current and future tenant's or guarantor's financial condition and ability to make rent payments to us on time.

For the six months ended June 30, 2024, all of our rental income was derived from triple-net leases to 13 tenants. Our leases include a parent or other affiliate guarantee and obligate the tenant for all the ongoing expenses of a property, including real estate taxes, insurance, maintenance and utilities. Our rental income is, therefore, dependent on our tenants (and related guarantors) ability to meet their respective obligations to us. Our tenants operate in the cannabis industry. Changes in current state or local laws in the cannabis industry may impair our ability to renew or re-lease properties and the ability of our tenants to fulfill their lease obligations and could materially and adversely affect our ability to maintain or increase rental rates for our properties. Further, some of our existing tenants have limited operating histories and may be more susceptible to payment and other lease defaults. Thus, our operating results will be significantly impacted by the ability of our tenants to achieve and sustain positive financial results.

### ***Financial Performance and Condition of Our Tenants***

We own 32 properties, leased to 13 tenants. As of June 30, 2024, all of our tenants are performing under their lease agreement with the exception of one tenant discussed below.

Revolutionary Clinics failed to pay 50% of its June and July 2024 contractual rent under its lease agreement. The Company is currently in discussion with the tenant to negotiate a resolution, which could include rent deferrals or other concessions.

### ***Financial Markets Update***

During the six months ended June 30, 2024, financial markets have shown a measure of stability, yet they continue to be shadowed by the lingering risks from the prior year. The Federal Reserve continued its vigilant stance, maintaining interest rates at their current levels. This decision reflects the central bank's commitment to combating inflation and supporting economic stability. This steadfast approach has primarily elevated borrowing costs to the highest levels seen in more than twenty years. However many economists agree that the Federal Reserve will cut rates later in 2024. For U.S. corporations, a high interest rate scenario has led to increased pressure on the cost of capital. Even with an interest rate cut in latter part 2024 interest rates will remain high, businesses will still face challenges due to constricted access to capital. Consequently, the availability and cost of capital for both our Company and our tenants remains high, necessitating the adoption of judicious financial management strategies.

### ***Regulatory Update***

On May 21, 2024, the Justice Department published a Notice of Proposed Rulemaking in the Federal Register for the Drug Enforcement Administration ("DEA") to reschedule marijuana from Schedule I of the Controlled Substances Act ("CSA"), a list of completely prohibited drugs, to Schedule III, which includes prescription medications such as ketamine, Tylenol with codeine, and anabolic steroids. The proposed rule is based on an August 2023 recommendation by the Department of Health and Human Services ("HHS"). The comment period concluded on July 22, 2024 and the DEA is currently reviewing over 43,000 comments that were submitted, in considering a final rule. We believe this significant shift could result in material tax savings for tenants, potentially leading to increased cash flows for their businesses. Moreover, we believe this pivotal move by the federal government could stimulate additional investment in the sector, potentially enabling operators to strengthen their balance sheets, thus enhancing the industry's credit quality, including our tenant base.

In summary, while we believe the rescheduling announcement represents a significant milestone, it is one step in a lengthy process that will likely take many more months before a final rule is issued. Although moving marijuana to Schedule III

should facilitate medical research and should provide a financial boost to the cannabis industry, it will leave federal law essentially untouched.

#### ***Inflation and Supply Chain Constraints***

While inflation has cooled it continues to trend higher than in prior periods, which may be negatively impacting some of our tenants. This inflation has impacted costs for labor and production inputs for regulated cannabis operators, in addition to increasing costs of construction for development and redevelopment projects. Ongoing labor shortages with global supply chain issues and geopolitical issues also continue to adversely impact costs and timing for completion of these development and redevelopment projects, which may result in cost overruns and delays in commencing operations on certain of our tenants' projects.

#### ***Competitive Environment***

We face competition from a diverse mix of market participants, including but not limited to, other companies with similar business models, independent investors, hedge funds and other real estate investors, mortgage REITs, hard money lenders, as well as would-be tenants and cannabis operators themselves, all of whom may compete with us in our efforts to acquire real estate zoned for cannabis cultivation, production or dispensary operations. Competition from others may diminish our opportunities to acquire a desired property on favorable terms or at all. In addition, this competition may put pressure on us to reduce the rental rates below those that we expect to charge for the properties that we own and expect to acquire, which would adversely affect our financial results.

#### ***Critical Accounting Policies and Estimates***

In accordance with GAAP, our consolidated financial statements require the use of estimates and assumptions that involve the exercise of judgment and use of assumptions. Our most critical accounting policies will involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. Actual results could differ materially from those estimates and assumptions.

We believe that all of the decisions and assessments upon which our consolidated financial statements have been based were reasonable at the time made and based upon information available to us at that time. There have been no changes to the Company's critical accounting policies included in Note 2 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### **Second Quarter 2024 Highlights**

##### ***Investment Activity***

##### **Acquisitions**

In May 2024 we purchased a cultivation facility in Connecticut for approximately \$4.0 million and committed to fund approximately \$12.0 million in building and tenant improvements. The property was simultaneously leased to a related entity of an existing tenant.

**Funded Commitments**

During the three months ended June 30, 2024, we funded approximately \$3.5 million of building and tenant improvements to our cultivation facilities in Arizona and Missouri.

The following table presents the funded commitments and the unfunded commitments for the three months ended June 30, 2024 (in thousands):

Tenant	Market	Site Type	Acquisition Closing Date	Funded Commitments	Unfunded Commitments
Ayr Wellness, Inc.	Pennsylvania	Cultivation	June 30, 2022	\$ —	\$ 750
C3 Industries	Connecticut	Cultivation	May 7, 2024	—	12,024
C3 Industries	Missouri	Cultivation	April 1, 2022	2,532	761
Calypso	Pennsylvania	Cultivation	August 5, 2022	—	987
Mint	Arizona	Cultivation	June 24, 2021	945	1,282 <sup>(1)</sup>
<b>Total</b>				<b>\$ 3,477</b>	<b>\$ 15,804</b>

(1) Effective June 6, 2024, the lease agreement was amended to include an additional commitment of approximately \$800 thousand.

**Financing Activity****Loan Payable**

On January 3, 2024, we made our final annual principal and interest payment of approximately \$1.0 million on our loan payable to the seller of a cultivation facility in Chaffee, Missouri. As of June 30, 2024, the loan had no outstanding balance.

**Revolving Credit Facility**

During the three months ended June 30, 2024, we borrowed \$3.6 million under the Revolving Credit Facility. As of June 30, 2024, we had outstanding borrowings of \$7.6 million under our Revolving Credit Facility and \$82.4 million in funds available to be drawn, subject to sufficient collateral in the borrowing base. Refer to Note 6 in the Notes to Consolidated Financial Statements in Part I – Item 1 for further information.

**Capital Markets Activity****At the Market Program**

On June 10, 2024, we entered into an Equity Distribution Agreement ("Equity Distribution Agreement"), relating to shares of our common stock, \$0.01 par value per share, pursuant to our At-the-Market Program ("ATM Program"). In accordance with the terms of the Equity Distribution Agreement, we may offer and sell shares of the its common stock having an aggregate offering amount of up to \$50.0 million from time to time through the sales agent.

Sales of the shares of our common stock, if any, may be made in negotiated transactions or by means of ordinary brokers' transactions on the OTCQX at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices or through a market maker other than on an exchange, directly on or through any other existing trading market or by any other method permitted by law, including but not limited to in privately negotiated transactions and in block trades.

Total compensation payable to the sales agent for its services acting as an agent, principal and/or advisor, as applicable, will not exceed, but may be lower than 2.0% of the gross sales price per share for any shares of common stock sold from time to time under the Equity Distribution Agreement. Under the terms of the Equity Distribution Agreement, we may also sell our common stock to the sales agent as principal for its own account at a price agreed upon at the time of sale.

No shares of common stock had been issued under the ATM Program to date.



*Recent Developments*

**Funded Commitments**

Subsequent to June 30, 2024, we funded approximately \$1.2 million of building and tenant improvements to our cultivation facility located in Arizona and Pennsylvania.

**Results of Operations**

*General*

We derive substantially all our revenue from rents received from single tenants at each of our 32 properties under triple-net leases. As of June 30, 2024, we have low leverage on the portfolio with only \$7.6 million outstanding under our Revolving Credit Facility and a low general and administrative expense with an annualized ratio of 1.3% of total assets.

*Comparison of the three months ended June 30, 2024 and 2023 (in thousands):*

	<b>Three Months Ended June 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	<b>Q2'24 vs Q2'23</b>
<b>Revenue:</b>			
Rental Income	\$ 12,253	\$ 11,183	\$ 1,070
Interest Income from Loans	134	131	3
Fees and Reimbursables	68	62	6
<b>Total Revenue</b>	<b>12,455</b>	<b>11,376</b>	<b>1,079</b>
<b>Expenses:</b>			
Property Expenses	28	56	(28)
Depreciation and Amortization Expense	3,626	3,568	58
General and Administrative Expenses:			
Compensation Expense	1,150	1,150	—
Professional Fees	243	364	(121)
Other General and Administrative Expenses	455	451	4
<b>Total General and Administrative Expenses</b>	<b>1,848</b>	<b>1,965</b>	<b>(117)</b>
<b>Total Expenses</b>	<b>5,502</b>	<b>5,589</b>	<b>(87)</b>
Provision for Current Expected Credit Loss	12	—	12
<b>Income From Operations</b>	<b>6,965</b>	<b>5,787</b>	<b>1,178</b>
<b>Other Income (Expense):</b>			
Other Income	81	208	(127)
Interest Expense	(128)	(97)	(31)
<b>Total Other Income (Expense)</b>	<b>(47)</b>	<b>111</b>	<b>(158)</b>
<b>Net Income</b>	<b>6,918</b>	<b>5,898</b>	<b>1,020</b>
Net Income Attributable to Noncontrolling Interests	(122)	(101)	(21)
<b>Net Income Attributable to Common Stockholders</b>	<b>\$ 6,796</b>	<b>\$ 5,797</b>	<b>\$ 999</b>

*Revenues*

**Rental Income**

Rental income for the three months ended June 30, 2024 increased by approximately \$1.1 million to approximately \$12.3 million, compared to approximately \$11.2 million for the three months ended June 30, 2023. The increase in rental income was mainly attributable to:

- Approximately two months of rental income from the purchase of a cultivation facility in Connecticut in May 2024, which generated approximately \$0.1 million of rental income during the three months ended June 30, 2024.
- Funding of building and tenant improvements at our Arizona and Missouri cultivation facilities, which generated approximately \$0.6 million of additional rental income during the three months ended June 30, 2024. The

additional rental income from our Missouri cultivation facility was derived from the expansion and development of the adjacent land parcel we acquired during the first quarter of 2023.

- Annual rent escalations on our portfolio, which generated an increase of approximately \$0.3 million of rental income during the three months ended June 30, 2024.
- Rental income collected from one tenant that was non-performing in the second quarter of 2023, which resulted in a \$0.3 million increase in rental income when compared to the three months ended June 30, 2023.
- These increases were offset by: (i) a decrease in rental income of approximately \$0.1 million related to the sale of a cultivation facility in Massachusetts in October 2023 and; (ii) a decrease of rental income of approximately \$0.1 million, which is a result of two lease modifications in the fourth quarter of 2023.

#### **Interest Income from Loans**

Interest income from loans increased slightly due to the annual interest rate increase on our \$5.0 million loan receivable to a tenant.

#### **Fees and Reimbursables**

Fees and reimbursables were relatively flat quarter over quarter.

#### *Expenses*

##### **Property Expenses**

Under certain circumstances we will pay for expenses on behalf of the tenant and the tenant is required to reimburse us. The expense and reimbursable amounts may differ due to timing. Property expenses were relatively flat quarter over quarter.

##### **Depreciation and Amortization Expense**

Depreciation and amortization increased slightly from: (i) the acquisition of one cultivation facility acquired in May 2024 and; (ii) approximately \$15.4 million of improvements from our Missouri cultivation facility expansion project that was placed into service during 2024.

##### **General and Administrative Expenses**

The decrease in general and administrative expense is described below by category.

###### *Compensation Expense*

Compensation expense includes compensation to employees and officers of the Company and stock-based compensation awards. Payroll compensation, including gross payroll, employer taxes and employer 401K expenses, decreased by approximately \$52 thousand during the three months ended June 30, 2024 due to an employee resignation. Stock-based compensation increased by approximately \$58 thousand related to employee and officer annual 2024 stock-based compensation awards. These two offsetting items resulted in a relatively flat change quarter over quarter.

###### *Professional Fees*

Professional fees generally include fees paid for audit, tax, legal and consulting services. For the three months ended June 30, 2024, professional fees were approximately \$243 thousand compared to approximately \$364 thousand for the three months ended June 30, 2023. The decrease was primarily related to lower legal fees.

*Other General and Administrative Expenses*

Other general and administrative expenses are primarily comprised of director and officer insurance, information technology fees, public relations fees, filing and regulatory fees, reporting fees, corporate rent and various other expenses. Other general and administrative expenses were relatively flat quarter over quarter.

***Provision for Current Expected Credit Loss***

We used a discounted cash flow model to determine an expected credit loss on our loan receivable. For the three months ended June 30, 2024, we recorded a reduction in the provision for current expected credit loss of approximately \$12 thousand, which reduced the allowance for credit loss to \$140.6 thousand as of June 30, 2024.

***Other Income (Expense)***

**Other Income**

Other income, which is mainly comprised of interest income, decreased during the three months ended June 30, 2024 by approximately \$127 thousand, to \$81 thousand compared to \$208 thousand for the three months ended June 30, 2023, primarily due to lower cash balances. We primarily used cash liquidity to pay dividends, fund our acquisition and fund building and tenant improvements. Refer to the "Summary of Cash Flows" for further information.

**Interest Expense**

Interest expense primarily related to interest on our credit facility. Interest expense remained relatively flat quarter over quarter.

*Comparison of the six months ended June 30, 2024 and 2023 (in thousands):*

	Six Months Ended June 30,		Increase/(Decrease)
	2024	2023	Q2'24 vs Q2'23
<b>Revenue:</b>			
Rental Income	\$ 24,380	\$ 22,340	\$ 2,040
Interest Income from Loans	265	259	6
Fees and Reimbursables	418	193	225
<b>Total Revenue</b>	<b>25,063</b>	<b>22,792</b>	<b>2,271</b>
<b>Expenses:</b>			
Property Expenses	50	150	(100)
Depreciation and Amortization Expense	7,194	7,130	64
General and Administrative Expenses:			
Compensation Expense	2,385	2,277	108
Professional Fees	645	686	(41)
Other General and Administrative Expenses	873	920	(47)
<b>Total General and Administrative Expenses</b>	<b>3,903</b>	<b>3,883</b>	<b>20</b>
<b>Total Expenses</b>	<b>11,147</b>	<b>11,163</b>	<b>(16)</b>
Provision for Current Expected Credit Loss	26	—	26
<b>Income From Operations</b>	<b>13,942</b>	<b>11,629</b>	<b>2,313</b>
<b>Other Income (Expense):</b>			
Other Income	181	428	(247)
Interest Expense	(211)	(189)	(22)
<b>Total Other Income (Expense)</b>	<b>(30)</b>	<b>239</b>	<b>(269)</b>
<b>Net Income</b>	<b>13,912</b>	<b>11,868</b>	<b>2,044</b>
Net Income Attributable to Noncontrolling Interests	(247)	(203)	(44)
<b>Net Income Attributable to Common Stockholders</b>	<b>\$ 13,665</b>	<b>\$ 11,665</b>	<b>\$ 2,000</b>

**Revenues**

**Rental Income**

Rental income for the six months ended June 30, 2024 increased by approximately \$2.0 million to approximately \$24.4 million, compared to approximately \$22.3 million for the six months ended June 30, 2023. The increase in rental income was primarily attributable to:

- Approximately two months of rental income from the purchase of a cultivation facility in Connecticut in May 2024, which generated approximately \$0.1 million of rental income during the six months ended June 30, 2024.
- Funding of building and tenant improvements at our Arizona and Missouri cultivation facilities, which generated approximately \$1.0 million of additional rental income during the six months ended June 30,

2024. The additional rental income from our Missouri cultivation facility was derived from the expansion and development of the adjacent land parcel we acquired during the first quarter of 2023.

- Annual escalations on our portfolio, which generated an increase of approximately \$0.5 million of rental income during the six months ended June 30, 2024.
- Rental income collected from one tenant during the six months ended June 30, 2024 that was non-performing during the six months ended June 30, 2023, which resulted in an approximately \$0.7 million increase in rental income when compared to the six months ended June 30, 2023.
- These increases were offset by: (i) a decrease of rental income of approximately \$0.1 million related to the sale of a cultivation facility in Massachusetts in October 2023 and; (ii) a decrease of rental income of approximately \$0.1 million, which is a result of two lease modifications in the fourth quarter of 2023.

#### **Interest Income from Loans**

Interest income from loans increased slightly due to the annual interest rate increase on our \$5.0 million loan receivable to a tenant.

#### **Expenses**

##### **Property Expenses**

For the six months ended June 30, 2024, property expenses decreased by approximately \$100 thousand to approximately \$50 thousand compared to approximately \$150 thousand for the six months ended June 30, 2023. In certain cases, we will pay for certain expenses on behalf of the tenant and the tenant is required to reimburse us which can differ due to timing. The expense and reimbursable amounts may also differ due to timing.

##### **Depreciation and Amortization Expense**

Depreciation and amortization expense increased slightly from: (i) the acquisition of one cultivation facility acquired in May 2024 and; (ii) approximately \$15.4 million of improvements from our Missouri cultivation facility expansion project that was placed into service during 2024.

##### **General and Administrative Expenses**

The increase in general and administrative expense is described below by category.

###### *Compensation Expense*

Compensation expense includes compensation to employees and officers of the Company and stock-based compensation awards. Compensation expense increased by approximately \$0.1 million during the six months ended June 30, 2024 to approximately \$2.4 million compared to approximately \$2.3 million for the six months ended June 30, 2023. The increase was primarily due to an increase in compensation awards granted to certain officers and employees of the Company.

###### *Professional Fees*

Professional fees for the six months ended June 30, 2024 remained relatively flat compared to the six months ended June 30, 2023.

###### *Other General and Administrative Expenses*

Other general and administrative expenses are primarily comprised of director and officer insurance, information technology fees, public relations fees, filing and regulatory fees and various other expenses. Other general and administrative expenses for the six months ended June 30, 2024 remained relatively flat compared to the six months ended June 30, 2023.

***Provision for Current Expected Credit Loss***

We used a discounted cash flow model to determine an expected credit loss on our loan receivable. For the six months ended June 30, 2024, we recorded a reduction in the provision for current expected credit loss of approximately \$26 thousand which reduced the allowance for credit loss to \$140.6 thousand as of June 30, 2024.

***Other Income (Expense)***

**Other Income**

Other income, which is mainly comprised of interest income, decreased during the six months ended June 30, 2024 by approximately \$0.2 million, to \$0.2 million compared to \$0.4 million for the six months ended June 30, 2023, primarily due to lower cash balances. We primarily used cash liquidity to pay dividends, fund our acquisition and fund building and tenant improvements. Refer to the "Summary of Cash Flows" for further information.

**Interest Expense**

Interest expense primarily related to interest on our credit facility. Interest expense remained relatively flat during the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

***Non-GAAP Financial Information and Other Metrics***

**Funds from Operations and Adjusted Funds from Operations**

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are non-GAAP financial measures and should not be viewed as alternatives to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that FFO and AFFO are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs.

We calculate FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. NAREIT currently defines FFO as follows: net income (loss) (computed in accordance with GAAP) excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by an entity. Other REITs may not define FFO in accordance with the NAREIT definition or may interpret the current NAREIT definition differently than we do and therefore our computation of FFO may not be comparable to such other REITs.

We calculate AFFO by starting with FFO and adjusting for non-cash and certain non-recurring transactions, including non-cash components of compensation expense and the effect of provisions for credit loss. Other REITs may not define AFFO in the same manner as we do and therefore our calculation of AFFO may not be comparable to such other REITs. You should not consider FFO and AFFO to be alternatives to net income as a reliable measure of our operating performance; nor should you consider FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity.

The table below is a reconciliation of net income attributable to common stockholders to FFO and AFFO for the three and six months ended June 30, 2024 and 2023 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net Income Attributable to Common Stockholders	\$ 6,796	\$ 5,797	\$ 13,665	\$ 11,665
Net Income Attributable to Noncontrolling Interests	122	101	247	203
Net Income	6,918	5,898	13,912	11,868
<b>Adjustments:</b>				
Real Estate Depreciation and Amortization	3,622	3,568	7,185	7,130
FFO Attributable to Common Stockholders - Diluted	10,540	9,466	21,097	18,998
Provision for Current Expected Credit Loss	(12)	—	(26)	—
Stock-Based Compensation	424	373	774	681
Non-cash Interest Expense	67	73	135	140
Amortization of Straight-line Rent Expense	—	—	(1)	—
AFFO Attributable to Common Stockholders - Diluted	\$ 11,019	\$ 9,912	\$ 21,979	\$ 19,819

### Liquidity and Capital Resources

Our cash requirements include the payment of dividends to our shareholders, distributions to our holders of OP Units ("OP Unitholders"), general and administrative expenses, debt service, other expenses related to managing our existing portfolio as well as acquisition and unfunded tenant commitments. The sources of liquidity to fund these cash requirements include rental revenue from the leasing of our properties, which is our primary source of cash flows, borrowings under our Revolving Credit Facility and equity and debt issuances, including issuance of common stock under our ATM Program, if markets permit. Where possible, we also may issue OP Units to acquire properties from existing owners seeking a tax-deferred transaction.

As of June 30, 2024, we had \$103.1 million of liquidity comprised of \$20.7 million of cash and cash equivalents and \$82.4 million available on our \$90.0 million Revolving Credit Facility, subject to sufficient collateral in the borrowing base. Additionally, the ATM Program allows us to issue equity to raise capital up to \$50.0 million. We cannot, however, be certain that these sources of funds will be available at a time and upon terms acceptable to us in sufficient amounts in the future.

The challenges posed by the increase in interest rates and inflation could adversely impact our cash flow from continuing operations but we expect that cash flow from continuing operations over the next twelve months, together with cash on hand, will be adequate to fund our business operations, cash dividends to our shareholders, distributions to our OP Unitholders and debt service. Acquisitions and unfunded building and tenant improvement costs may require funding from borrowings, equity issuance and/or issuance of OP Units.

### Summary of Cash Flows

The following summary discussion of our cash flows is based on the consolidated statements of cash flows in our consolidated financial statements and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below (in thousands):

	For the Six Months Ended June 30,	
	2024	2023
Net Cash Provided by Operating Activities	\$ 21,759	\$ 18,214
Net Cash Used in Investing Activities	\$ (15,364)	\$ (3,346)
Net Cash Used in Financing Activities	\$ (11,551)	\$ (19,386)
Cash and Cash Equivalents - End of Period	\$ 20,687	\$ 40,674



**Net Cash Provided by Operating Activities:**

Net cash provided by operating activities for the six months ended June 30, 2024 and 2023 were approximately \$21.8 million and \$18.2 million, respectively. Net cash flows provided by operating activities for the six months ended June 30, 2024 and 2023 were primarily related to contractual rent received from our properties, partially offset by our general and administrative expenses.

**Net Cash Used in Investing Activities:**

Net cash used in investing activities for the six months ended June 30, 2024 and 2023 were approximately \$15.4 million and \$3.3 million, respectively. Net cash used in investing activities for the six months ended June 30, 2024 related to approximately \$4.0 million used to purchase a cultivation facility in Connecticut and approximately \$11.4 million used to fund building and tenant improvements at our cultivation facilities in Arizona and Missouri. Net cash used in investing activities for the six months ended June 30, 2023 related to \$350.0 thousand used to purchase an adjacent parcel of land by an existing cultivation facility in Missouri and approximately \$3.0 million used to fund building and tenant improvements at our cultivation facilities in Arizona and Missouri.

**Net Cash Used in Financing Activities:**

Net cash used in financing activities for the six months ended June 30, 2024 and six months ended June 30, 2023 were approximately \$11.6 million and \$19.4 million, respectively. Net cash used in financing activities for the six months ended June 30, 2024, was mainly related to approximately \$17.0 million in dividend payments to holders of our common stock and dividend payments on vested RSUs, as well as distributions to OP Unitholders and \$1.0 million to pay down our loan payable. These cash outflows were offset by a cash inflow of \$6.6 million from a draw on our Revolving Credit Facility. Net cash used in financing activities for the six months ended June 30, 2023, was mainly related to approximately \$17.0 million in dividend payments to holders of our common stock and dividend payments on vested RSUs, as well as distributions to OP Units holders, \$1.0 million to pay down our loan payable and approximately \$1.3 million to buy back stock under the stock repurchase program.

***Dividends***

To maintain our qualification as a REIT, U.S. federal income tax law generally requires that we distribute at least 90% of our REIT taxable income annually, determined without regard to the deduction for dividends paid and excluding capital gains. We must pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our taxable income. We evaluate each quarter to determine our ability to pay dividends to our stockholders based on our net taxable income if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service payments. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution.

As a result of this distribution requirement, our Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. During the six months ended June 30, 2024, our board of directors approved, and we declared, cash dividends on our common stock and restricted stock units and in our capacity as general partner of our Operating Partnership, we authorized distributions on our OP Units of \$0.84 per share. During the six months ended June 30, 2023, our board of directors approved, and we declared, and our board of directors approved, cash dividends on our common stock and restricted stock units and in our capacity as general partner of the Operating Partnership, we authorized distributions on our OP Units totaling \$0.78 per share.

***Contractual Obligations and Commitments***

**Unfunded Commitments**

As of June 30, 2024, we had aggregate unfunded commitments of \$15.8 million to develop and improve our existing cultivation facilities in Arizona, Connecticut, Missouri, and Pennsylvania.

### **Corporate Office Lease**

As of June 30, 2024, we were the lessee under one office lease for a term of four years, subject to annual escalations. The annual rent payments range from approximately \$72 thousand in year one to approximately \$85 thousand in year four. The office lease has a remaining weighted average term of approximately 2.17 years.

### **Revolving Credit Facility**

As of June 30, 2024, we had \$7.6 million drawn on our Revolving Credit Facility which bears interest at a rate of 5.65% per annum.

### ***Adoption of New or Revised Accounting Standards***

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

### ***Interest Rate Risk***

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 are subject to interest rate risk in connection with our Revolving Credit Facility. As of June 30, 2024, we had \$7.6 million principal drawn on our Revolving Credit Facility, at a fixed interest rate of 5.65% through May 2025 and a floating rate thereafter. Therefore, if interest rates decrease, our required interest payments may exceed those based on current market rates. If interest rates remain higher for longer, our cost of financing will significantly increase when the Revolving Credit facility adjusts to a floating rate in May 2025. We may choose to mitigate such interest rate risk through the use of interest rate derivative instruments.

### ***Impact of Inflation***

The U.S. economy has experienced an increase in inflation over the past two years. We enter into leases that generally provide for annual fixed increases in rent at a fixed rate. In some instances, leases provide for annual increases in rent based on the increase in annual CPI. We expect these lease provisions to result in rent increases over time. During times when inflation is greater than increases in rent, as provided for in the leases, rent increases may not keep up with the rate of inflation.

### ***Seasonality***

Our business is not, and we do not expect our business to be, subject to material seasonal fluctuations.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

In the commercial real estate market, property prices generally continue to fluctuate. Likewise, during certain periods, the U.S. credit markets have experienced significant price volatility, dislocations, and liquidity disruptions, which may impact our access to and cost of capital. We continually monitor the commercial real estate and U.S. credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly.

## **ITEM 4. CONTROLS AND PROCEDURES.**

Our management, including our Chief Executive Officer (the CEO) and Chief Financial Officer (the CFO), reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act) as of the end of the period covered by this report. Based on that review and evaluation, the CEO and CFO have concluded that our current disclosure controls and procedures, as designed, (1) were effective in ensuring that information required to be disclosed by the Company in reports it files or submits under the Securities Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as

appropriate to allow timely decisions regarding required disclosure and (2) were effective in ensuring that information required to be disclosed by the Company in reports it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

***Limitations on Controls***

Our system of internal control over financial reporting was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with accounting principles generally accepted in the United States. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting that occurred during the three months ended June 30, 2024 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

We are not currently a party to any material legal proceedings. From time to time, we may in the future be a party to various claims and routine litigation arising in the ordinary course of business.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors set forth in the section titled “Risk Factors” included in our Annual Report on Form 10-K, dated March 11, 2024, filed with the SEC. Our business involves significant risks. You should carefully consider the risks and uncertainties described in our Annual Report on Form 10-K, together with all of the other information in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report. The risks and uncertainties described in our Annual Report are not the only ones we face. Additional risk and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND ISSUER PURCHASE OF EQUITY SECURITIES.**

On November 7, 2022, our board of directors authorized a common stock repurchase program, to repurchase up to \$10.0 million of our outstanding common stock (the “Repurchase Program”). Such authorization has an expiration date of December 31, 2023. On September 15, 2023, the board of directors authorized an amendment to the Repurchase Program for the repurchase of up to an additional \$10.0 million of its outstanding common stock and extended the program through December 31, 2024. The Company did not acquire any shares of common stock pursuant to the Repurchase Program during the three months ended June 30, 2024. The remaining availability under the program as of June 30, 2024 was approximately \$8.2 million.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURE.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

During the three months ended June 30, 2024, none of our Company's directors or officers adopted, modified or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

**ITEM 6. EXHIBITS.**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Articles of Amendment and Restatement of NewLake Capital Partners, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-11 filed on June 21, 2021).</a>
3.2	<a href="#">Articles Supplementary of NewLake Capital Partners, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on September 19, 2022).</a>
3.3	<a href="#">Amended and Restated Bylaws of NewLake Capital Partners, Inc. (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed on November 10, 2022).</a>
31.1*	<a href="#">Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**NEWLAKE CAPITAL PARTNERS, INC.**

Dated: August 8, 2024

By: /s/ Anthony Coniglio  
Name: Anthony Coniglio  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

Dated: August 8, 2024

By: /s/ Lisa Meyer  
Name: Lisa Meyer  
Title: Chief Financial Officer, Treasurer and Secretary  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Anthony Coniglio, certify that:

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

Date: August 8, 2024

By: /s/ Anthony Coniglio  
Anthony Coniglio  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Lisa Meyer, certify that:

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

Date: August 8, 2024

By: /s/ Lisa Meyer  
Lisa Meyer  
Chief Financial Officer, Treasurer and Secretary  
(Principal Financial Officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of NewLake Capital Partners, Inc. (the "Company") for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Anthony Coniglio, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: August 8, 2024

By: /s/ANTHONY CONIGLIO  
Anthony Coniglio  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of NewLake Capital Partners, Inc. (the "Company") for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Lisa Meyer, Chief Financial Officer, Treasurer and Secretary of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: August 8, 2024

By: /s/ Lisa Meyer  
Lisa Meyer  
*Chief Financial Officer, Treasurer and Secretary*  
*(Principal Financial Officer)*