
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

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, 2026

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 333-290256

SHEPHERD'S FINANCE, LLC
(Exact name of registrant as specified on its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

36-4608739
(I.R.S. Employer
Identification No.)

13241 Bartram Park Blvd., Suite 2401, Jacksonville, Florida 32258
(Address of principal executive offices)

(302) 752-2688
(Registrant's telephone number including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
None	None	None

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

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SHEPHERD'S FINANCE, LLC
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-Q of Shepherd's Finance, LLC, other than historical facts, may be considered forward-looking statements within the meaning of the federal securities laws. Words such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue," "predict," or other similar words identify forward-looking statements. Forward-looking statements appear in a number of places in this report, including without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and include statements regarding our intent, belief or current expectation about, among other things, trends affecting the markets in which we operate, our business, financial condition and growth strategies.

Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. These risks and uncertainties include, but are not limited to: the impact of inflation and rising interest rates on the economy and housing markets; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the rate and the pace of economic recovery following economic downturns; and those other risks described in other risk factors as outlined in our Registration Statement on Form S-1, as amended, and our Annual Report on Form 10-K for the year ended December 31, 2025. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including but not limited to those set forth in the "Risk Factors" section of our Registration Statement on Form S-1, as amended, and our Annual Report on Form 10-K. For further information regarding risks and uncertainties associated with our business, and important factors that could cause our actual results to vary materially from those expressed or implied in such forward-looking statements, please refer to the factors set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of the documents we file from time to time with the U.S. Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2025.

When considering forward-looking statements, you should keep these risk factors, as well as the other cautionary statements in this report and in our Annual Report on Form 10-K for the year ended December 31, 2025 in mind. You should not place undue reliance on any forward-looking statement. We are not obligated to update forward-looking statements.

Shepherd's Finance, LLC
Interim Consolidated Balance Sheets - Unaudited

(in thousands of dollars)

	June 30, 2026	December 31, 2025
Assets		
Cash and cash equivalents	\$ 2,789	\$ 3,490
Restricted cash	252	250
Certificates of deposit, restricted	2,275	2,275
Accrued interest receivable	1,744	1,111
Loans receivable, net	73,831	59,223
Real estate investments	1,961	169
Foreclosed assets, net	586	499
Premises and equipment	778	790
Other assets	701	729
Total assets	<u>\$ 84,917</u>	<u>\$ 68,536</u>
Liabilities and Members' Capital		
Refundable prepaid interest	\$ 986	\$ 965
Loan deposits	1,188	838
Accounts payable and accrued expenses	620	708
Accrued interest payable	4,706	3,595
Notes payable secured, net	28,010	18,445
Notes payable unsecured, net	40,523	35,774
Total liabilities	<u>76,033</u>	<u>60,325</u>
Commitments and Contingencies (Note 11)		
Members' Capital		
Series C preferred equity, net of discounts of \$2,043 and \$2,043, respectively	7,320	7,042
Class A common equity	1,564	1,169
Members' capital	<u>8,884</u>	<u>8,211</u>
Total liabilities and members' capital	<u>\$ 84,917</u>	<u>\$ 68,536</u>

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

Shepherd's Finance, LLC
Interim Consolidated Statements of Operations - Unaudited
For the Three and Six Months Ended June 30, 2026 and 2025

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
<i>(in thousands of dollars)</i>				
Interest Income				
Interest and fee income on loans	\$ 3,825	\$ 2,536	\$ 6,963	\$ 4,965
Interest expense:				
Interest related to secured borrowings	600	327	1,039	611
Interest related to unsecured borrowings	1,041	894	2,016	1,790
Interest expense	1,641	\$ 1,221	3,055	2,401
Net interest and fee income	2,184	1,315	3,908	2,564
Less: Provision for (recovery of) credit losses	744	(13)	994	120
Net interest and fee income after provision for credit losses	1,440	1,328	2,914	2,444
Non-Interest Income				
Revenue from the sale of land parcels	-	968	-	2,805
Option fee income	-	120	-	274
Other income	55	54	142	101
Total non-interest income	55	1,142	142	3,180
Income before non-interest expense	1,495	2,470	3,056	5,624
Non-Interest Expense				
Cost on land parcels sold	-	968	-	2,805
Selling, general and administrative	933	957	1,990	1,894
Depreciation and amortization	7	20	15	40
Loss on real estate investments	-	-	3	-
Loss on foreclosed assets	75	4	81	19
Total non-interest expense	1,015	1,949	2,089	4,758
Net Income	<u>\$ 480</u>	<u>\$ 521</u>	<u>\$ 967</u>	<u>\$ 866</u>
Net income attributable to preferred equity holders	275	265	547	457
Net Income attributable to common equity holders	<u>\$ 205</u>	<u>\$ 256</u>	<u>\$ 420</u>	<u>\$ 409</u>

Shepherd's Finance, LLC
Interim Consolidated Statements of Changes in Members' Capital – Unaudited

For the Three Months Ended June 30, 2026 and 2025

<i>(in thousands of dollars)</i>	Series C Preferred Equity	Class A Common Equity	Total Members' Capital
March 31, 2025	\$ 6,556	\$ 1,910	\$ 8,466
Net income	265	256	521
Distributions	(326)	(222)	(548)
Series C preferred equity issued in exchange for Class A common equity, net of discount	287	(287)	-
Unit based compensation expense	-	1	1
June 30, 2025	<u>6,782</u>	<u>1,658</u>	<u>8,440</u>
March 31, 2026	\$ 7,179	\$ 1,384	\$ 8,563
Net income	275	205	480
Distributions	(134)	(25)	(159)
June 30, 2026	<u>7,320</u>	<u>1,564</u>	<u>8,884</u>

For the Six Months Ended June 30, 2026 and 2025

<i>(in thousands of dollars)</i>	Series C Preferred Equity	Class A Common Equity	Total Members' Capital
January 1, 2025	\$ 6,430	\$ 2,143	\$ 8,573
Net income	457	409	866
Distributions	(392)	(609)	(1,001)
Series C preferred equity issued in exchange for Class A common equity, net of discounts	287	(287)	-
Unit based compensation expense	-	2	2
June 30, 2025	<u>6,782</u>	<u>1,658</u>	<u>8,440</u>
January 1, 2026	\$ 7,042	\$ 1,169	\$ 8,211
Net income	547	420	967
Distributions	(269)	(26)	(295)
Unit based compensation expense	-	1	1
June 30, 2026	<u>7,320</u>	<u>1,564</u>	<u>8,884</u>

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

Shepherd's Finance, LLC
Interim Consolidated Statements of Cash Flows - Unaudited
For the Six Months Ended June 30, 2026 and 2025

(in thousands of dollars)

	2026	2025
Cash flows from operations		
Net income	\$ 967	\$ 866
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred financing costs	42	115
Provision for credit losses	994	120
Depreciation and amortization	15	40
Loss on foreclosed assets	81	19
Loss on sale of real estate investments	3	-
Deferred revenue – real estate investments	-	205
Unit based compensation expense	1	2
Net change in operating assets and liabilities:		
Other assets	25	(1,347)
Accrued interest receivable	(633)	35
Refundable prepaid interest	21	426
Accrued interest payable	1,236	618
Accounts payable and accrued expenses	(88)	(229)
Net cash provided by operating activities	2,664	870
Cash flows from investing activities		
Loan originations and principal collections, net	(17,852)	178
Additions for construction in foreclosed assets	(5)	(92)
Additions for construction in real estate investments	(4)	(870)
Proceeds from sale of foreclosed assets	502	824
Proceeds from the sale of real estate investments	169	2,805
Investments in real estate assets	(25)	-
Investments in certificates of deposit	-	(2,275)
Purchases of premises and equipment	-	(10)
Net cash (used in) provided by investing activities	(17,215)	560
Cash flows from financing activities		
Distributions to Series C preferred equity holders	(269)	(392)
Distributions to common equity holders	(26)	(609)
Proceeds from secured note payable	27,946	19,859
Repayments of secured note payable	(18,978)	(20,785)
Proceeds from unsecured notes payable	7,815	3,238
Redemptions/repayments of unsecured notes payable	(2,546)	(4,638)
Deferred financing costs paid	(90)	(68)
Net cash provided by (used in) financing activities	13,852	(3,395)
Net change in cash, cash equivalents and restricted cash	(699)	(1,965)
Cash, cash equivalents and restricted cash		
Beginning of period	3,740	3,347
End of period	\$ 3,041	\$ 1,382
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,944	\$ 2,320
Non-cash investing and financing activities		
Foreclosed assets transferred from loans receivable, net	\$ 665	\$ 909
Real estate investments transferred from loan receivable, net	\$ 1,935	-
Secured and unsecured notes payable transfers	\$ 592	\$ 90
Accrued interest payable transferred to unsecured notes payable	\$ 125	\$ 697
Class A common equity exchanged for Series C preferred equity	\$ -	\$ 2,330
Discount on Series C preferred equity exchanged for Class A common equity	\$ -	\$ 2,043

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

Shepherd's Finance, LLC
Notes to Consolidated Financial Statements (unaudited)

Information presented throughout these notes to the consolidated financial statements is in thousands of dollars.

1. Description of Business

Shepherd's Finance, LLC (together with its wholly owned subsidiary, Builder's Assistance (as defined below), the "Company", "we", or "our") was originally formed as a Pennsylvania limited liability company on May 10, 2007. Through August 6, 2025, we were the sole member of two consolidating subsidiaries, 339 Justabout Land Company, LLC ("339") and Builder's Assistance. On August 6, 2025, we sold 339, further described in Note 3 below. The Company operates pursuant to its Second Amended and Restated Limited Liability Company Agreement by and among Daniel M. Wallach and the other members of the Company effective as of March 16, 2017, and as subsequently amended.

The Company extends commercial loans to residential homebuilders (in 20 states as of June 30, 2026) to:

- construct single family homes,
- develop undeveloped land into residential building lots, and
- purchase and improve for sale older homes.

On March 14, 2025, the Company changed the name of its consolidated subsidiary, Shepherd's Stable Investments, LLC, to Builder's Assistance, LLC ("Builder's Assistance"). Builder's Assistance was established to provide accounting and other business support services to third parties, primarily customers of the Company.

2. Fair Value

The Company had no financial instruments measured at fair value on a recurring basis as of June 30, 2026 and December 31, 2025.

The following tables present the balances of non-financial instruments measured at fair value on a non-recurring basis as of June 30, 2026, and December 31, 2025:

	June 30, 2026		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	Carrying Amount	Estimated Fair Value			
Foreclosed assets, net	\$ 586	\$ 586	\$ —	\$ —	\$ 586
Individually evaluated loans, net	4,500	4,500	—	—	4,500
Total	\$ 5,086	\$ 5,086	\$ —	\$ —	\$ 5,086

	December 31, 2025		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	Carrying Amount	Estimated Fair Value			
Foreclosed assets, net	\$ 499	\$ 499	\$ —	\$ —	\$ 499
Individually evaluated loans, net	6,192	6,192	—	—	6,192
Total	\$ 6,691	\$ 6,691	\$ —	\$ —	\$ 6,691

The following methods and assumptions were used by the Company in estimating the fair value of assets and liabilities valued on a nonrecurring basis:

	<u>Estimated Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Discounts</u>	<u>Weighted Average Discount⁽¹⁾</u>
June 30, 2026					
Individually evaluated loans, net	\$ 4,500	Underlying collateral value, third party appraisals	Collateral discounts and estimated costs to sell	\$ 0%-100%	19%
Foreclosed assets, net	\$ 586	Underlying collateral value, third party appraisals	Collateral discounts	18%	18%

(1) The weighted average discount is calculated by multiplying each asset's fair value by its discount rate then adding all the weighted values together and dividing the total sum of the combined estimated fair values.

	<u>Estimated Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Discounts</u>	<u>Weighted Average Discount⁽¹⁾</u>
December 31, 2025					
Individually evaluated loans, net	\$ 6,192	Underlying collateral value, third party appraisals	Collateral discounts and estimated costs to sell	0%-26%	12%
Foreclosed assets, net	\$ 499	Underlying collateral value, third party appraisals	Collateral discounts	7%	7%

(1) The weighted average discount is calculated by multiplying each asset's fair value by its discount rate then adding all the weighted values together and dividing the total sum of the combined estimated fair values.

Fair Value of Financial Instruments

Borrowings under Credit Facilities

The fair value of the Company's borrowings under credit facilities is estimated based on the expected cash flows discounted using the current rates offered to the Company for debt of the same remaining maturities. As all the borrowings under credit facilities or the Notes are payable on demand or at similar rates to what the Company can borrow funds for today, the fair value of the borrowings is determined to approximate carrying value as of June 30, 2026 and December 31, 2025. The interest on our Notes Program is paid to our Note holders either monthly or at the end of their investment, compounded monthly. For the same reasons as the determination for the principal balances on the Notes, the fair value approximates the carrying value for the interest as well.

The table below is a summary of fair value estimates for financial instruments:

		June 30, 2026		December 31, 2025	
	Fair Value Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets					
Cash and cash equivalents including restricted cash	1	\$ 3,041	\$ 3,041	\$ 3,740	\$ 3,740
Certificates of deposit	2	2,275	2,275	2,275	2,275
Loans receivable, net	3	73,814	73,814	59,223	59,223
Accrued interest on loans	2	1,488	1,488	1,111	1,111
Financial Liabilities					
Refundable prepaid interest	2	986	986	965	965
Loan deposits	2	1,188	1,188	838	838
Notes payable secured, net	2	28,010	28,010	18,445	18,445
Notes payable unsecured, net	2	40,523	40,523	35,774	35,774
Accrued interest payable	2	4,706	4,706	3,595	3,595

3. Segment Reporting

Effective January 1, 2026, the Company changed their reportable segments to a single reportable segment. Following the sale of 339 Justabout Land Company on August 6, 2025, which was a reportable segment of the Company, the Company no longer has any separately reportable segments.

The Company's one reportable segment generates income principally from interest on loans, as well as from fees charged in connection with various lending services. The chief operating decision maker ("CODM") is the Chief Executive Officer, who for the purposes of assessing performance, making operating decisions, and allocating Company resources, regularly reviews net income as reported in the consolidated statements of operations. The level of disaggregation and amounts of significant segment income and expenses, such as interest and fee income, interest expense, provision for credit losses, salaries and employee benefits expense and other items, that are regularly provided to the CODM are the same as those presented in the accompanying consolidated statements of operations. Likewise, the measure of segment assets is reported on the accompanying consolidated balance sheets as total assets.

Information about reportable segments and reconciliations of such information to the Interim Consolidated Financial Statements are described below.

Reconciliation of Consolidated Statements of Operations:

Shepherd's Finance, LLC
Interim Consolidated Statements of Operations
For the Quarter Ended June 30, 2025

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Total
Net Interest and Fee Income			
Interest and fee income on loans	\$ -	\$ 2,536	\$ 2,536
Interest expense:			
Interest related to secure borrowings	-	327	327
Interest related to unsecured borrowings	-	894	894
Interest expense	-	1,221	1,221
Net interest and fee income	-	1,315	1,315
Less: Provision for credit losses	-	(13)	(13)
Net interest and fee income after provision for credit losses	-	1,328	1,328
Non-Interest Income			
Revenue from the sale of land parcels	968	-	968
Option fee income	120	-	120
Other income	-	54	54
Total non-interest income	1,088	54	1,142
Income before non-interest expense	1,088	1,382	2,470
Non-Interest Expense			
Cost on the sale of land parcels	968	-	968
Selling, general and administrative	-	957	957
Depreciation and amortization	-	20	20
Loss on foreclosed assets	-	4	4
Total non-interest expense	968	981	1,949
Net income	<u>\$ 120</u>	<u>\$ 401</u>	<u>\$ 521</u>

Shepherd's Finance, LLC
Interim Consolidated Statements of Operations
For the Six Months Ended June 30, 2025

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Total
Net Interest and Fee Income			
Interest and fee income on loans	\$ -	\$ 4,965	\$ 4,965
Interest expense:	-		
Interest related to secure borrowings	-	611	611
Interest related to unsecured borrowings	-	1,790	1,790
Interest expense	-	2,401	2,401
Net interest and fee income	-	2,564	2,564
Less: Provision for credit losses	-	120	120
Net interest and fee income after provision for credit losses	-	2,444	2,444
Non-Interest Income			
Revenue from the sale of land parcels	2,805	-	2,805
Option fee income	274	-	274
Other income	-	101	101
Total non-interest income	3,079	101	3,180
Income before non-interest expense	3,079	2,545	5,624
Non-Interest Expense			
Cost on the sale of land parcels	2,805	-	2,805
Selling, general and administrative	-	1,894	1,894
Depreciation and amortization	-	40	40
Loss on foreclosed assets	-	19	19
Total non-interest expense	2,805	1,953	4,758
Net income	<u>\$ 274</u>	<u>\$ 592</u>	<u>\$ 866</u>

Reconciliation of total assets:

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Elimination	Total
Total assets as of December 31, 2025	\$ -	\$ 68,536	\$ -	\$ 68,536

4. Real Estate Investment Assets

During the quarter ended June 30, 2026, the Company purchased five real estate development lots for \$1,960.

During the six months ended June 30, 2026, the Company sold one asset for sale proceeds of \$169 and a loss on sale of \$3.

The following table is a roll forward of real estate investment assets:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 169	\$ 13,529	\$ 13,529
Proceeds from disposal of 339	-	(9,876)	-
Gain on sale of real estate investments	-	276	-
Loss on sale of real estate investments	(3)	-	-
Proceeds from the sale of real estate investments	(169)	(4,956)	(2,805)
Real estate investments transferred from loan receivables, net	1,935	-	-
Investments in real estate assets	25	-	-
Additions for construction/development	4	1,196	870
Ending balance	<u>\$ 1,961</u>	<u>\$ 169</u>	<u>\$ 11,594</u>

Capitalized Interest Activity

The following table is capitalized interest included in additions for construction/development for real estate investment assets:

	June 30, 2026	June 30, 2025
Capitalized interest	\$ 1	\$ 463
Cost of funds	9.39%	10.01%

The capitalized interest is included within real estate investment assets on the consolidated balance sheet.

5. Loans Receivables, net

Financing receivables are comprised of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Loans receivable, gross	\$ 77,434	\$ 61,683
Less: Deferred loan fees	(1,788)	(1,516)
Plus: Deferred origination costs	244	169
Less: Allowance for credit losses	(2,059)	(1,113)
Loans receivable, net	<u>\$ 73,831</u>	<u>\$ 59,223</u>

Commercial Construction and Development Loans

As of June 30, 2026, the Company's loan portfolio consisted of 182 construction loans with 51 borrowers and 15 development loans with 14 borrowers in 20 states.

Construction Loan Portfolio Summary

The following is a summary of our loan portfolio to builders for home construction loans as of June 30, 2026 and December 31, 2025:

Year	Number of States	Number of Borrowers	Number of Loans	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽¹⁾
2026	19	51	182	\$ 84,751	\$ 58,888	74% ⁽²⁾
2025	20	53	151	\$ 65,897	\$ 44,515	72% ⁽²⁾

(1) The loan to value ratio is calculated by taking the commitment amount and dividing by the appraised value.

(2) Represents the weighted average loan to value ratio of the loans.

Real Estate Development Loan Portfolio Summary

The following is a summary of our loan portfolio to builders for land development as of June 30, 2026 and December 31, 2025:

Year	Number of States	Number of Borrowers	Number of Loans	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽¹⁾
2026	11	14	15	\$ 25,936	\$ 18,546	72% ⁽²⁾
2025	9	12	13	\$ 19,343	\$ 17,168	71% ⁽²⁾

(1) The loan to value ratio is calculated by taking the outstanding amount and dividing by the appraised value calculated as described above.

(2) Represents the weighted average loan to value ratio of the loans.

The following is a roll forward of loan receivables, net of both construction and development loans:

	Six Months Ended June 30, 2026	Twelve Months Ended December 31, 2025
Beginning balance	\$ 59,223	\$ 49,254
Originations and modifications	35,536	59,571
Principal collections	(17,186)	(48,205)
Loan receivables, net transferred to foreclosed assets	(665)	(909)
Loan receivables, net transferred to real estate investments	(1,935)	-
Change in allowance for credit losses	(946)	(245)
Change in loan fees, net	(196)	(243)
Ending balance	<u>\$ 73,831</u>	<u>\$ 59,223</u>

Credit Quality Information

The following table presents the Company's gross loans receivable, commitment value and ACL for each respective credit rank loan pool category as of June 30, 2026:

	Loans Receivable Gross	Commitment Value	ACL
Construction Loans Collectively Evaluated:			
A Credit Risk	\$ 26,129	\$ 44,906	\$ 168
B Credit Risk	26,027	30,375	248
C Credit Risk	1,263	2,108	16
Individually Evaluated	5,469	7,362	1,580
Development Loans Collectively Evaluated:			
A Credit Risk	\$ 7,720	\$ 11,319	\$ 2
B Credit Risk	10,116	14,030	43
C Credit Risk	99	100	2
Individually Evaluated	611	487	-
Total	<u>\$ 77,434</u>	<u>\$ 110,687</u>	<u>\$ 2,059</u>

The following table presents the Company's gross loans receivable, commitment value and ACL for each respective credit rank loan pool category as of December 31, 2025.

	Loans Receivable Gross	Commitment Value	ACL
Construction Loans Collectively Evaluated:			
A Credit Risk	\$ 23,490	\$ 37,488	\$ 122
B Credit Risk	13,799	18,830	151
C Credit Risk	828	1,099	12
Individually Evaluated	6,399	8,480	745
Development Loans Collectively Evaluated:			
A Credit Risk	\$ 3,457	\$ 4,390	\$ 2
B Credit Risk	13,072	14,366	79
C Credit Risk	99	100	2
Individually Evaluated	539	487	-
Total	<u>\$ 61,683</u>	<u>\$ 85,240</u>	<u>\$ 1,113</u>

Individually Evaluated Loans

Individually evaluated loans are loans for which it is probable that all the amounts due under the contractual terms of the loan will not be collected. The ACL on loans that are individually evaluated is based on a comparison of the receivable loan balance, observable market price for the loan or the fair value of the collateral underlying secured loans.

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 90 days non-accruing as of June 30, 2026:

	Non-accrual without ACL	Non-accrual with ACL	Accrual Loans Past Due Over 90 Days
Construction Loans:			
Individually Evaluated	\$ 1,209	\$ 2,969	\$ –
Development Loans:			
Individually Evaluated	\$ 611	\$ –	\$ –
Total	<u>\$ 1,820</u>	<u>\$ 2,969</u>	<u>\$ –</u>

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 90 days non-accruing as of December 31, 2025:

	Non-accrual without ACL	Non-accrual with ACL	Accrual Loans Past Due Over 90 Days
Construction Loans:			
Individually Evaluated	\$ 1,887	\$ 3,160	\$ –
Development Loans:			
Individually Evaluated	\$ 539	\$ –	\$ –
Total	<u>\$ 2,426</u>	<u>\$ 3,160</u>	<u>\$ –</u>

The following is an aging of our gross loan portfolio as of June 30, 2026:

	Gross Loan Value	Current 0 - 89	Past Due 90 - 179	Past Due 180 - 269	Past Due >270
Construction Loans:					
A Credit Risk	\$ 26,129	\$ 26,129	\$ –	\$ –	\$ –
B Credit Risk	26,027	26,027	–	–	–
C Credit Risk	1,263	1,263	–	–	–
Individually Evaluated	5,469	2,818	–	2,419	232
Development Loans:					
A Credit Risk	7,720	7,720	–	–	–
B Credit Risk	10,116	10,116	–	–	–
C Credit Risk	99	99	–	–	–
Individually Evaluated	611	–	–	–	611
Total	<u>\$ 77,434</u>	<u>\$ 74,172</u>	<u>\$ –</u>	<u>\$ 2,419</u>	<u>\$ 843</u>

The following is an aging of our gross loan portfolio as of December 31, 2025:

	Gross Loan Value	Current 0 - 89	Past Due 90 - 179	Past Due 180 - 269	Past Due >270
Construction Loans:					
A Credit Risk	\$ 23,490	\$ 23,490	\$ —	\$ —	\$ —
B Credit Risk	13,799	13,799	—	—	—
C Credit Risk	828	828	—	—	—
Individually Evaluated	6,399	5,201	618	446	134
Development Loans:					
A Credit Risk	3,457	3,457	—	—	—
B Credit Risk	13,072	13,072	—	—	—
C Credit Risk	99	99	—	—	—
Individually Evaluated	539	—	539	—	—
Total	\$ 61,683	\$ 59,946	\$ 1,157	\$ 446	\$ 134

Below is an aging schedule of loans receivable as of June 30, 2026 on a recency basis:

	No. Loans	Unpaid Balances	%
Current loans (current accounts and accounts on which more than 50% of an original contract payment was made in the last 59 days)	190	\$ 74,172	95.8%
60-89 days	—	—	—%
90-179 days	—	—	—%
180-269 days	4	2,419	3.1%
>270 days	3	843	1.1%
Subtotal	197	\$ 77,434	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial Payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. "Total received" to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	197	\$ 77,434	100.0%

Below is an aging schedule of loans receivable as of December 31, 2025, on a recency basis:

	No. Loans	Unpaid Balances	%
Contractual terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from due date.)	155	\$ 58,507	94.9%
60-89 days	1	1,439	2.3%
90-179 days	5	1,157	1.8%
180-269 days	2	446	0.7%
>270 days	1	134	0.3%
Subtotal	164	\$ 61,683	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. “Total received” to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	164	\$ 61,683	100.0%

Below is an aging schedule of loans receivable as of June 30, 2026, on a contractual basis:

	No. Loans	Unpaid Balances	%
Contractual Terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from the due date.)	190	\$ 74,172	95.8%
60-89 days	—	—	—%
90-179 days	—	—	—%
180-269 days	4	2,419	3.1%
>270 days	3	843	1.1%
Subtotal	197	\$ 77,434	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days.)	—	\$ —	—%
Partial Payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. “Total received” to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	197	\$ 77,434	100.0%

Below is an aging schedule of loans receivable as of December 31, 2025, on a contractual basis:

	No. Loans	Unpaid Balances	%
Contractual terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from due date.)	155	\$ 58,507	94.9%
60-89 days	1	1,439	2.3%
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180-269 days	2	446	0.7%
>270 days	1	134	0.3%
Subtotal	164	\$ 61,683	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. “Total received” to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	164	\$ 61,683	100.0%

The Company modifies loans for borrowers for various reasons, including but not limited to changes in what the builder is building versus what was appraised, changes in loan-to-value (“LTV”) or market conditions, and a builder’s inability to pay interest. This last grouping (builder’s inability to pay interest) is done through forbearance agreements which will allow the builder to have a specified period not to pay interest while the home is either completed or marketed. Typically, those interest amounts are collected at final payoff of the loan.

Allowance for Credit Losses on Loans

The following table provides a roll forward of the allowance for credit losses and unfunded commitments as of June 30, 2026:

	Construction				Development				Total
	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	
Allowance for credit losses as of December 31, 2025	\$ (122)	\$ (151)	\$ (12)	\$ (746)	\$ (2)	\$ (78)	\$ (2)	\$ —	\$ (1,113)
Charge-offs	—	—	—	8	—	—	—	—	8
Recoveries	—	—	—	(11)	—	—	—	—	(11)
(Provision) benefit for credit losses on funded balances	(46)	(97)	(4)	(831)	—	35	—	—	(943)
Allowance for credit losses as of June 30, 2026	\$ (168)	\$ (248)	\$ (16)	\$ (1,580)	\$ (2)	\$ (43)	\$ (2)	\$ —	\$ (2,059)
Reserve for unfunded commitments as of December 31, 2025	\$ (73)	\$ (55)	\$ (4)	\$ —	\$ —	\$ (8)	\$ —	\$ —	\$ (140)
(Provision) benefit for credit losses on unfunded commitments	(48)	13	(6)	—	(1)	(9)	—	—	(51)
Reserve for unfunded commitments as of June 30, 2026	\$ (121)	\$ (42)	\$ (10)	\$ —	\$ (1)	\$ (17)	\$ —	\$ —	\$ (191)

The following table provides a roll forward of the allowance for credit losses and unfunded commitments as of June 30, 2025:

	Construction				Development				Total
	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	
Allowance for credit losses as of December 31, 2024	\$ (150)	\$ (28)	\$ (13)	\$ (658)	\$ (1)	\$ —	\$ (18)	\$ —	\$ (868)
Charge-offs	—	—	—	152	—	—	—	—	152
Recoveries	—	—	—	(3)	—	—	—	—	(3)
(Provision) benefit for credit losses on funded balances	23	(32)	4	(133)	—	—	8	—	(130)
Allowance for credit losses as of June 30, 2025	\$ (127)	\$ (60)	\$ (9)	\$ (642)	\$ (1)	\$ —	\$ (10)	\$ —	\$ (849)
Reserve for unfunded commitments as of December 31, 2024	\$ (65)	\$ (10)	\$ (12)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ (88)
(Provision) benefit for credit losses on unfunded commitments	10	(17)	3	—	1	—	—	—	(3)
Reserve for unfunded commitments as of June 30, 2025	\$ (55)	\$ (27)	\$ (9)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (91)

Allowance for Credit Losses on Unfunded Loan Commitments

Unfunded commitments to extend credit, which have similar collateral, credit and market risk to our outstanding loans, were \$33,254 and \$23,557 as of June 30, 2026 and December 31, 2025, respectively. The ACL is calculated at an estimated loss rate on the total commitment value for loans in our portfolio. The ACL on unfunded commitments is calculated as the difference between the ACL on commitment value less the estimated loss rate and the total gross loan value for loans in our portfolio. As of June 30, 2026, and December 31, 2025, the ACL for unfunded commitments was \$191 and \$140, respectively, and we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Loan Portfolio by Year of Origination

The table below presents the Company's loan portfolio by year of origination, category, and credit quality indicator as of June 30, 2026. Loans acquired are shown in the tables by origination year.

	2026	2025	2024	2023	2022	Prior	Total
Construction loans Collectively Evaluated:							
A Credit Risk	\$ 11,135	\$ 10,635	\$ 1,138	\$ 2,459	\$ 762	\$ —	\$ 26,129
B Credit Risk	4,768	13,671	5,939	636	1,013	—	26,027
C Credit Risk	127	—	1,136	—	—	—	1,263
Individually Evaluated	—	2,811	2,012	526	120	—	5,469
	16,030	27,117	10,225	3,621	1,895	—	58,888
Current Period Charge Offs	—	—	—	(8)	—	—	(8)
Development Loans Collectively Evaluated:							
A Credit Risk	5,736	1,895	89	—	—	—	7,720
B Credit Risk	—	8,555	—	—	—	1,561	10,116
C Credit Risk	—	—	—	99	—	—	99
Individually Evaluated	—	—	—	—	—	611	611
	5,736	10,450	89	99	—	2,172	18,546
Current Period Charge Offs	—	—	—	—	—	—	—
Total	\$ 21,766	\$ 37,567	\$ 10,314	\$ 3,720	\$ 1,895	\$ 2,172	\$ 77,434

The table below presents the Company's loan portfolio by year of origination, category, and credit quality indicator as of December 31, 2025. Loans acquired are shown in the tables by origination year.

	2025	2024	2023	2022	2021	Prior	Total
Construction loans Collectively Evaluated:							
A Credit Risk	\$ 15,907	\$ 3,786	\$ 2,277	\$ 939	\$ 581	\$ -	\$ 23,490
B Credit Risk	7,228	4,938	620	1,013	-	-	13,799
C Credit Risk	-	827	-	-	-	-	827
Individually Evaluated	2,323	2,429	1,050	597	-	-	6,399
	25,458	11,980	3,947	2,549	581	-	44,515
Current Period Charge Offs							
	-	-	-	(125)	(27)	(670)	(822)
Development Loans Collectively Evaluated:							
A Credit Risk	3,020	438	-	-	-	-	3,458
B Credit Risk	11,602	-	-	-	-	1,470	13,072
C Credit Risk	-	-	99	-	-	-	99
Individually Evaluated	-	-	-	-	-	539	539
	14,622	438	99	-	-	2,009	17,168
Current Period Charge Offs							
	-	-	-	-	-	-	-
Total	\$ 40,080	\$ 12,418	\$ 4,046	\$ 2,549	\$ 581	\$ 2,009	\$ 61,683

Concentration of Risks

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of loans receivable. Our concentration risks for our top three customers listed by geographic real estate market are summarized in the table below:

	June 30, 2026		December 31, 2025	
	Borrower Location	Percent of Loan Commitments	Borrower Location	Percent of Loan Commitments
Highest concentration risk	Pittsburgh, PA	30%	Pittsburgh, PA	36%
Second highest concentration risk	Central and Southwest FL	7%	Central and Southwest FL	7%
Third highest concentration risk	St. George, UT	6%	St. George, UT	6%

6. Foreclosed Assets

The following table is our roll forward of foreclosed assets:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 499	\$ 1,356	\$ 1,356
Foreclosed assets transferred from loan receivables, net	665	909	909
Additions for construction in foreclosed assets	5	96	92
Sale proceeds	(502)	(1,657)	(824)
Loss on foreclosed assets	(81)	(205)	(19)
Ending balance	<u>\$ 586</u>	<u>\$ 499</u>	<u>\$ 1,514</u>

7. Borrowings

The following table displays our borrowings:

	June 30, 2026	December 31, 2025
Borrowing Source		
Purchase and sale agreements and other secured borrowings	\$ 28,015	\$ 18,431
Secured line of credit from affiliates	6	26
Less: deferred financing fees	(11)	(12)
Notes payable secured, net	<u>28,010</u>	<u>18,445</u>
Unsecured line of credit (senior)	750	-
Other unsecured debt (senior subordinated)	1,812	1,812
Unsecured Notes through our public offering, gross (subordinated)	22,085	22,164
Other unsecured debt (subordinated)	15,028	10,901
Other unsecured debt (junior subordinated)	1,126	1,126
Less: deferred financing fees	(278)	(229)
Notes payable unsecured, net	<u>40,523</u>	<u>35,774</u>
Total Borrowings	<u>\$ 68,533</u>	<u>\$ 54,219</u>

The following table shows the maturity of outstanding debt as of June 30, 2026:

Year Maturing	Total Amount Maturing	Public Offering	Other Unsecured	Secured Borrowings
2026	\$ 32,145	\$ 1,541	\$ 5,583	25,021
2027	11,690	7,044	2,371	2,275
2028	14,859	11,080	3,779	-
2029	5,938	1,732	4,206	-
2030 and thereafter	4,190	688	2,777	725
Total	<u>\$ 68,822</u>	<u>\$ 22,085</u>	<u>\$ 18,716</u>	<u>\$ 28,021</u>

Secured Borrowings

Lines of Credit

Lines of Credit with Mr. Wallach and His Affiliates

As of June 30, 2026 and December 31, 2025, the Company had \$6 and \$26 borrowed against its lines of credit from affiliates, respectively, with a total limit of \$2,500 as of June 30, 2026 and December 31, 2025.

United Lines of Credit

In January 2025, we established a revolving line of credit with United Bank for \$2,275, maturing in January 2027. The interest rate on this line of credit is 5.5%. As of June 30, 2026 and December 31, 2025, the amount due on this line of credit was \$2,275.

In January 2025, we established a revolving line of credit with United Bank for \$725, with an expiration date of January 2040. The interest rate on this line of credit is 7.5%. As of June 30, 2026 and December 31, 2025, the amount due on this line of credit was \$725. The Company's office in Jacksonville, FL, is used as collateral for this line of credit.

Liberty Savings Bank Line of Credit

In December 2025, we established a revolving line of credit with Liberty Savings Bank for \$5,000, which may be terminated upon 90 days' written notice. The interest rate on this line of credit varies and is indexed to the current Prime rate plus 0.5%. As of June 30, 2026 and December 31, 2025, the Company had borrowed \$5,000 and \$0 against the revolving line of credit, respectively.

Loan Purchase and Sale Agreements

As of June 30, 2026 and December 31, 2025, there is no limit on the maximum principal amount under the Builder Finance loan purchase and sale agreement, and the outstanding principal under such agreement was \$2,024 and \$1,459, respectively, with an interest rate of 8.99% for both periods. The agreement has a term of 12 months and renews automatically for an additional 12 months unless either party provides written notice of intent not to renew at least six months prior to the end of the term.

As of June 30, 2026 and December 31, 2025, the maximum principal amount under the S.K. Funding loan purchase and sale agreement was \$6,500 for both period end dates. Borrowings up to \$1,400 over the principal amount may be unsecured. There were \$0 of unsecured borrowings as of both June 30, 2026 and December 31, 2025, with an interest rate of 10% for both periods. The agreement has a term of 12 months and renews automatically for an additional 12 months unless either party provides written notice of intent not to renew at least six months prior to the end of the term. Additionally, the Company executed an amendment to the agreement with S.K. Funding that allowed the Company to sell participating interests in loans. The balance of the portion sold on these loans is removed from the balance sheet of the Company and interest on the portion sold is not reflected in its statement of operations. As of June 30, 2026 and December 31, 2025, the loan receivable principal balance sold under the secured portion of this agreement was \$1,400.

Secured Deferred Financing Costs

The Company had secured deferred financing costs of \$11 and \$12 as of June 30, 2026 and December 31, 2025.

Secured Borrowings Secured by Loan Assets

As of June 30, 2026 and December 31, 2025 the Company pledged \$48,534 and \$41,527 of loans as collateral on \$25,016 and \$16,156 of secured notes payable, respectively.

Unsecured Borrowings

Unsecured Notes through the Public Offering ("Notes Program")

The effective interest rate on borrowings through our Notes Program as of June 30, 2026 and December 31, 2025, was 8.95% and 8.90%, respectively.

We generally offer four durations at any given time, ranging from 12 to 48 months from the date of issuance. All Notes sold in our fifth public offering, which was declared effective on April 30, 2026, include a mandatory early redemption option, provided that the proceeds are reinvested. In our other historical offerings, there were limited rights of early redemption. Our 36-month Note sold in our third public note offering had a mandatory early redemption option, subject to certain conditions.

The following table is a roll forward of our Notes Program:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Gross Notes outstanding, beginning of period	\$ 22,164	\$ 19,968	\$ 19,968
Notes issued	1,479	7,612	1,632
Note repayments / redemptions	(1,558)	(5,416)	(1,921)
Gross Notes outstanding, end of period	\$ 22,085	\$ 22,164	\$ 19,679
Less deferred financing costs, net	(278)	(229)	(89)
Notes outstanding, net	<u>\$ 21,807</u>	<u>\$ 21,935</u>	<u>\$ 19,590</u>

The following is a roll forward of deferred financing costs related to the Notes Program:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Deferred financing costs, beginning balance	\$ 1,302	\$ 1,060	\$ 1,060
Additions	90	242	52
Disposals	(693)	-	-
Deferred financing costs, ending balance	699	1,302	1,112
Less accumulated amortization	(421)	(1,073)	(1,023)
Deferred financing costs, net	<u>\$ 278</u>	<u>\$ 229</u>	<u>\$ 89</u>

The following is a roll forward of the accumulated amortization of deferred financing costs:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Accumulated amortization, beginning balance	\$ 1,073	\$ 910	\$ 910
Additions	41	163	113
Disposals	(693)	-	-
Accumulated amortization, ending balance	<u>\$ 421</u>	<u>\$ 1,073</u>	<u>\$ 1,023</u>

Other Unsecured Debts

The following table is a detail of other unsecured debts are detailed below:

Loan	Maturity Date	Interest Rate⁽¹⁾	June 30, 2026	December 31, 2025
Unsecured Line of Credit	July 2026	10.0%	\$ -	\$ 592
Unsecured Line of Credit	April 2027	10.0%	500	500
Unsecured Line of Credit	July 2026	9.75%	500	—
Unsecured Line of Credit – Senior Subordinated	January 2027	10.0%	750	—
Subordinated Promissory Note	July 2026	11.0%	1,000	—
Subordinated Promissory Note	February 2027	9.0%	600	600
Subordinated Promissory Note	March 2028	9.75%	500	500
Subordinated Promissory Note	December 2027	10.0%	20	20
Subordinated Promissory Note	January 2029	9.0%	15	15
Subordinated Promissory Note	February 2027	8.5%	200	200
Subordinated Promissory Note	March 2027	10.0%	26	26
Subordinated Promissory Note	November 2026	9.5%	200	200
Subordinated Promissory Note	March 2027	9.5%	1,000	1,000
Subordinated Promissory Note	September 2027	10.0%	108	108
Subordinated Promissory Note	July 2028	8.5%	100	100
Subordinated Promissory Note	August 2026	8.0%	291	291
Senior Subordinated Promissory Note	July 2026 ⁽²⁾	1.0%	740	740
Junior Subordinated Promissory Note	July 2026 ⁽²⁾	20.0%	460	460
Senior Subordinated Promissory Note	October 2028 ⁽²⁾	1.0%	1,072	1,072
Junior Subordinated Promissory Note	October 2028 ⁽²⁾	20.0%	666	666
Subordinated Promissory Note	March 2029	10.0%	1,200	1,200
Subordinated Promissory Note	May 2027	10.0%	97	97
Subordinated Promissory Note	November 2027	10.0%	120	120
Subordinated Promissory Note	April 2028	10.0%	149	149
Subordinated Promissory Note	April 2029	11.0%	2,000	2,000
Subordinated Promissory Note	October 2027	8.5%	200	200
Subordinated Promissory Note	October 2028	10.0%	1,043	1,043
Subordinated Promissory Note	December 2028	10.0%	149	149
Subordinated Promissory Note	October 2026	10.0%	1,142	1,142
Subordinated Promissory Note	April 2029	9.0%	301	301
Subordinated Promissory Note	December 2029	8.0%	248	248
Subordinated Promissory Note	October 2028	8.5%	100	100
Subordinated Promissory Note	March 2029	6.5%	442	—
Subordinated Promissory Note	January 2030	8.0%	15	—
Subordinated Promissory Note	February 2031	11.0%	400	—
Subordinated Promissory Note	February 2031	11.0%	300	—
Subordinated Promissory Note	February 2031	11.0%	365	—
Subordinated Promissory Note	February 2031	11.0%	400	—
Subordinated Promissory Note	February 2031	11.0%	300	—
Subordinated Promissory Note	March 2031	11.0%	500	—
Subordinated Promissory Note	March 2031	11.0%	497	—
			\$ 18,716	\$ 13,839

(1) Interest rate per annum, based upon actual days outstanding and a 365/366-day year.

(2) These notes were issued to the same holder and, when calculated together, yield a blended rate of 10% per annum.

8. Refundable Prepaid Interest

Below is a roll forward of refundable prepaid interest:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 965	\$ 353	\$ 353
Additions from Pennsylvania loans	618	1,198	-
Additions from other loans	754	1,312	935
Interest, fees, principal or repaid to borrower	(1,351)	(1,898)	(509)
Ending balance	<u>\$ 986</u>	<u>\$ 965</u>	<u>\$ 779</u>

9. Series C Preferred Equity

Series C preferred equity distributions, liquidation rights and conversion features are determined based on the undiscounted value, which was \$9,363 and \$9,085 as of June 30, 2026 and December 31, 2025, respectively.

The following table shows the earliest conversion options for investors in Series C preferred equity as of June 30, 2026. Amounts are presented at redeemable values, which are prior to discounts reflected in the carrying amounts:

Year Maturing	Total Amount Convertible
Currently convertible (requires notice of 12 months)	\$ 3,498
2027	309
2028	1,381
2029	206
2030 and thereafter	<u>3,969</u>
Total	<u>\$ 9,363</u>

10. Related Party Transactions

As of June 30, 2026 and December 31, 2025, the Company had \$6 and \$26 borrowed against its lines of credit from affiliates, respectively, with a total limit of \$2,500 as of June 30, 2026 and December 31, 2025.

A more detailed description of related party transactions is included in Note 13 to our audited annual consolidated financial statements and related notes and other consolidated financial data (the "2025 Financial Statements") included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. These borrowings are included in notes payable secured and unsecured, net of deferred financing costs on the interim consolidated balance sheet.

11. Commitments and Contingencies

In the normal course of business there may be outstanding commitments to extend credit that are not included in the consolidated financial statements. Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon and some of the funding may come from the earlier repayment of the same loan (in the case of revolving lines), the total commitment amounts do not necessarily represent future cash requirements. The financial instruments involve, to varying degrees, elements of credit and interest rate risk more than amounts recognized in the consolidated financial statements. The Company evaluates each customer's creditworthiness on a case-by-case basis. Unfunded commitments to extend credit, which have similar collateral, credit risk and market risk to our outstanding loans, were \$33,254 and \$23,557 as of June 30, 2026 and December 31, 2025, respectively. From time to time, the Company also issues letters of credit on behalf of certain customers. The ACL for unfunded is commitments is described in Note 5.

12. Non-Interest Expense Detail

The following table displays our selling, general and administrative expenses:

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Selling, general and administrative expenses		
Legal and accounting	\$ 194	\$ 239
Salaries and related expenses	1,337	1,137
Board related expenses	60	54
Advertising	69	69
Rent and utilities	33	41
Loan and foreclosed asset expenses	83	29
Travel	94	123
Other	120	202
Total SG&A	<u>\$ 1,990</u>	<u>\$ 1,894</u>

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

(All dollar [\$] amounts shown in thousands.)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our interim consolidated financial statements and the notes thereto contained elsewhere in this report and with our audited annual consolidated financial statements and related notes and other consolidated financial data (the "2025 Financial Statements") included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K"). See also "Cautionary Note Regarding Forward-Looking Statements" preceding Part I.

Overview

As of June 30, 2026, the Company's portfolio consisted of 182 construction loans with 51 borrowers and 15 development loans with 14 borrowers in 20 states.

During the quarter and six months ended June 30, 2026, the Company continued to focus on the reduction of non-interest earning assets. As of June 30, 2026, 22 loans were classified as individually evaluated with a net loan receivables balance of \$4,500 compared to 29 loans and \$6,192 as of December 31, 2025. In addition, as of June 30, 2026, we had three assets with a net foreclosed asset balance of \$586 compared to one and \$499 as of December 31, 2025.

The estimated loss on interest income resulting from non-interest earning assets for the quarter and six months ended June 30, 2026 was \$152 and \$300 compared to \$252 and \$504 for the same periods of 2025, respectively. Looking ahead, we expect the balance of non-interest earnings to remain somewhat consistent.

As of June 30, 2026, the Company's gross loan receivables balance increased by \$15,751 to \$77,434 as compared to \$61,683 as of December 31, 2025. As of June 30, 2026, the total committed amount (not necessarily funded) increased by \$42,256 to \$110,687 compared to \$68,431, as of June 30, 2025. The increase in June 2026 includes \$11,500 commitment related to one development loan which originated in August 2025. In addition, the increases in balances relate both to an increase in loan originations and a slowing of payoffs. Originations are higher due to changes in our sales and marketing efforts, and the slowing of payoffs is likely related to regional and national economic issues, including but not limited to: long term mortgage rates for our customers' customers, soft home sales in certain regions, declining home values in certain regions and price ranges, and unwillingness of our borrowers to lower their prices to market.

While the Company continues to face risks as it relates to the economy and the homebuilding industry, management has decided to focus on the following during the remainder of 2026 and the beginning of 2027:

1. Continue to manage the balance of non-interest-bearing assets, which includes foreclosed real estate and individually evaluated assets.
2. Control SG&A expenses.
3. Maintain gross margin prior to loan loss.
4. Maintain liquidity at a level sufficient for loan originations.
5. Manage loan loss and impairment expense.
6. Increase originations and loan balances.

While some geographic markets are seeing some declines in pricing at certain price levels, generally we are not seeing reductions in selling prices as something that is creating losses for us. There is still a housing shortage, and many homeowners are not moving out of their sub 3% interest rates. The starter market and high-end market seem to be strong in most geographic locations, while the middle market seems to be weak. Mortgage interest rates for homeowners have slightly increased back up from recent lows late last year. Mortgage interest rates impact the middle market more than the higher and lower markets.

Net cash provided by operations increased \$1,794 to \$2,664 for the quarter ended June 30, 2026 compared to the same period of 2025. The increase in operating cash flow was due primarily to accrued interest payable.

Critical Accounting Estimates

To assist in evaluating our interim consolidated financial statements, we describe below the critical accounting estimates that we use. We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used, would have a material impact on our consolidated financial condition or results of operations. See our 2025 Form 10-K, as filed with the SEC, for more information on our critical accounting estimates. No material changes to our critical accounting estimates have occurred since December 31, 2025, unless listed below.

Credit Losses

Fair value of collateral has the potential to impact the calculation of the loan loss provision (the amount we have expensed over time in anticipation of loan losses we have not yet realized). Specifically, relevant to the allowance for loan loss reserve is the fair value of the underlying collateral supporting the outstanding loan balances. Fair value measurements are an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Due to a rapidly changing economic market, an erratic housing market, the various methods that could be used to develop fair value estimates, and the various assumptions that could be used, determining the collateral's fair value requires significant judgment.

	June 30, 2026 Loan Loss Provision Higher/(Lower)	
Change in Fair Value Assumption		
Increasing fair value of the real estate collateral by 35%*	\$	-
Decreasing fair value of the real estate collateral by 35%**	\$	8,004

* Increases in the fair value of the real estate collateral do not impact the loan loss provision, as the value generally is not "written up."

** Assumes the loans were non-performing and a book amount of the loan assets of \$73,831.

Foreclosed Assets

The fair value of real estate will impact our foreclosed asset value, which is recorded at 100% of fair value (after selling costs are deducted).

		June 30, 2026 Foreclosed Assets Higher/(Lower)
Change in Fair Value Assumption		
Increasing fair value of the foreclosed asset by 35%*	\$	-
Decreasing fair value of the foreclosed asset by 35%**	\$	205

* Increases in the fair value of the foreclosed assets do not impact the carrying value, as the value generally is not “written up.” Those gains would be recognized at the sale of the assets.

** Assumes a book amount of the foreclosed assets of \$586.

Results of Operations

Interest Spread

The following table displays a comparison of our interest income, expense, fees, and spread:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
Interest Income		*		*		*		*
Interest income on loans	\$ 2,905	15%	\$ 1,872	15%	\$ 5,291	15%	\$ 3,786	15%
Fee income on loans	1,028	6%	816	6%	1,885	6%	1,482	6%
Deferred loan fees	(108)	(1)%	(152)	(1)%	(213)	(1)%	(303)	(1)%
Fee income on loans, net	920	5%	664	5%	1,672	5%	1,179	5%
Interest and fee income on loans	3,825	20%	2,536	20%	6,963	20%	4,965	20%
Interest expense unsecured	1,023	6%	835	7%	1,975	6%	1,677	7%
Interest expense secured	600	3%	327	3%	1,039	3%	611	3%
Amortization offering costs	18	-%	59	-%	41	-%	113	-%
Interest expense	1,641	9%	1,221	10%	3,055	9%	2,401	10%
Net interest and fee income (spread)	\$ 2,184	11%	\$ 1,315	10%	\$ 3,908	11%	\$ 2,564	10%

Weighted average outstanding loan asset balance

**	\$ 75,126	\$ 51,014	\$ 69,849	\$ 50,348
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*Annualized amount as percentage of weighted average outstanding gross loan balance

Primarily three main components impact our interest spread:

• **Difference between the interest rate received (on our loan assets) and the interest rate paid (on our borrowings).** Our loan originations include interest rates which are based on our cost of funds, with a minimum rate of 10.25%. Primarily, the margin is fixed at 2.5%; however, for our development loans the margin is generally fixed at 7%. This component is also impacted by the lending of money with no interest cost (common equity). For both the quarters and six months ended June 30, 2026 and 2025, interest income on loans was 15%.

We anticipate our standard margin to be 2.5% on all future construction loans and generally 7% on all development loans, which yields a blended margin of approximately 3.5%. This 2.5% margin may increase because some customers run past the standard repayment time and pay a higher rate of interest after that.

- **Fee income.** Our construction loan fee is 5% on the amount we commit to lend, which is amortized over the expected life of each loan. When loans terminate before their expected life, the remaining fee is recognized at that time.

Fee income on loans before deferred loan fee adjustments was 6% for the quarters and six months ended June 30, 2026 and 2025.

- **Amount of non-performing assets.** Generally, two types of non-performing assets negatively affect our interest spread which are individually evaluated loans and foreclosed assets.

As of June 30, 2026 and December 31, 2025, we had 22 individually evaluated loans, net of reserves of \$4,500 and 29 individually evaluated loans, net of reserves of \$6,192 that were not paying interest, respectively.

As of June 30, 2026 and December 31, 2025, foreclosed assets, net of reserves were \$586 and \$499, respectively, which resulted in a negative impact to our interest spread.

Provision for Credit Losses

Provision for credit losses (expense throughout the period) was \$744 and \$994 for the quarter and six months ended June 30, 2026, respectively. During the quarter and six months ended June 30, 2025 the Company had a credit of \$13 and expense of \$120, respectively.

The allowance for credit losses as of June 30, 2026 and December 31, 2025, was \$2,059 and \$1,113, respectively. The increase in the allowance for credit losses is due to the increase in originations and increase in individually evaluated allowances. As of June 30, 2026, the allowance on individually evaluated loans increased to \$1,580 compared to \$745 as of December 31, 2025. The Company believes it has properly reserved for all foreclosed and individually evaluated loans.

Non-Interest Income

Revenue from the Sale of Land Parcels

Revenue from the sale of land parcels was \$0 during the quarter and six months ended June 30, 2026 compared to \$968 and \$2,805 during the quarters ended June 30, 2025, respectively.

Option Fee Income

Option fee income was \$0 during the quarter and six months ended June 30, 2026 compared to \$120 and \$274 during the quarters ended June 30, 2025, respectively.

Other Income

During the quarters ended June 30, 2026, and 2025, we consulted for several of our construction and development loan customers, which included accounting guidance. Other income related to our consulting fees were \$55 and \$54 for the quarters ended and \$142 and \$101 for the six months ended June 30, 2026 and 2025, respectively. We anticipate continuing our consulting services to our customers on an as needed basis during 2026.

Non-Interest Expense

Selling, General and Administrative (“SG&A”) Expenses

The following table displays SG&A expenses:

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Selling, general and administrative expenses		
Legal and accounting	\$ 194	\$ 239
Salaries and related expenses	1,335	1,137
Board related expenses	60	54
Advertising	69	69
Rent and utilities	33	41
Loan and foreclosed asset expenses	83	29
Travel	94	123
Other	120	202
Total SG&A	\$ 1,990	\$ 1,894

Our SG&A expense increased \$96 to \$1,990 during the six months ended June 30, 2026 compared to the same period of 2025. The change in SG&A was primarily due to higher salaries and related expenses, which were slightly offset by lower legal and accounting fees. The increase in salaries and related expenses related to additional employees hired during the nine months ended December 31, 2025, which resulted in higher compensation costs during the first six months of 2026.

Loss on Real Estate Investments

During the six months ended June 30, 2026, we sold one real estate investment, which resulted in a loss of \$3. No loss on real estate investments was expensed during the six months ended June 30, 2025.

Loss on Foreclosed Assets

During the quarter and six months ended June 30, 2026 and 2025, we transferred one and three loan receivable assets to foreclosed assets, respectively. Losses on foreclosed assets were \$75 and \$4 for the quarter ended June 30, 2026 and 2025, respectively. Losses on foreclosed assets were \$81 and \$19 for the six months ended June 30, 2026 and 2025, respectively.

Consolidated Financial Position

Loans Receivables, net

Financing receivables are comprised of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Loans receivable, gross	\$ 77,434	\$ 61,683
Less: Deferred loan fees	(1,788)	(1,516)
Plus: Deferred origination costs	244	169
Less: Allowance for credit losses	(2,059)	(1,113)
Loans receivable, net	\$ 73,831	\$ 59,223

Commercial Loans – Construction Loan Portfolio Summary

We anticipate that the aggregate balance of our construction loan portfolio will increase as we originate more loan dollars than we receive in payoffs.

The following is a summary of our loan portfolio to builders for home construction loans as of June 30, 2026:

State	Number of Borrowers	Number of Loans	Value of Collateral ⁽¹⁾	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽²⁾	Loan Fee
Arizona	1	2	\$ 1,350	\$ 934	\$ 605	69%	5%
California	2	2	5,016	3,877	2,211	77%	5%
Connecticut	1	3	1,670	1,162	976	70%	5%
Florida	13	68	34,376	24,038	15,336	70%	5%
Georgia	4	8	4,296	2,961	2,231	69%	5%
Idaho	2	6	5,442	3,373	1,667	62%	5%
Illinois	1	1	1,490	894	127	60%	5%
Louisiana	1	3	822	569	149	69%	5%
Michigan	2	2	1,300	821	701	63%	5%
Missouri	2	3	1,275	900	900	71%	5%
New Jersey	1	2	812	589	431	72%	5%
New York	1	5	2,248	1,631	823	73%	5%
North Carolina	8	20	8,116	5,272	4,103	65%	5%
Oklahoma	1	1	167	117	113	70%	5%
Pennsylvania	1	17	21,089	19,443	18,437	92%	5%
South Carolina	7	34	14,367	10,798	6,315	75%	5%
Texas	1	1	480	336	276	70%	5%
Utah	1	2	9,205	6,674	3,210	73%	5%
Virginia	1	2	592	362	277	61%	5%
Total	51	182	\$ 114,113	\$ 84,751	\$ 58,888	74%⁽³⁾	5%

(1) The value is determined by the appraised value.

(2) The loan to value ratio is calculated by taking the commitment amount and dividing by the appraised value.

(3) Represents the weighted average loan to value ratio of the loans.

The following is a summary of our loan portfolio to builders for home construction loans as of December 31, 2025:

State	Number of Borrowers	Number of Loans	Value of Collateral ⁽¹⁾	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽²⁾	Loan Fee
Arizona	2	4	\$ 1,719	\$ 1,126	\$ 1,126	66%	5%
California	1	1	1,285	1,750	1,439	137%	5%
Connecticut	1	3	1,730	1,162	890	67%	5%
Florida	10	50	23,854	16,637	10,984	70%	5%
Georgia	7	10	6,448	4,228	3,068	66%	5%
Idaho	1	1	2,770	1,500	874	54%	5%
Illinois	1	1	1,500	815	606	54%	5%
Louisiana	2	3	825	623	594	76%	5%
Michigan	1	1	970	582	171	60%	5%
Mississippi	1	1	335	258	258	77%	5%
Montana	2	2	975	683	578	70%	5%
New Jersey	1	4	1,798	1,531	1,471	85%	5%
New York	1	5	2,248	1,345	488	60%	5%
North Carolina	8	14	6,530	4,135	1,861	63%	5%
Oklahoma	1	1	167	117	77	70%	5%
Pennsylvania	2	18	20,748	16,368	13,055	79%	5%
South Carolina	7	26	10,739	8,394	4,808	78%	5%
Tennessee	2	3	1,061	743	718	70%	5%
Utah	1	1	4,880	3,538	1,213	73%	5%
Virginia	1	2	592	362	236	61%	5%
Total	53	151	\$ 91,174	\$ 65,897	\$ 44,515	72%⁽³⁾	5%

(1) The value is determined by the appraised value.

(2) The loan to value ratio is calculated by taking the commitment amount and dividing by the appraised value.

(3) Represents the weighted average loan to value ratio of the loans.

Commercial Loans – Real Estate Development Loan Portfolio Summary

The following is a summary of our loan portfolio to builders for land development as of June 30, 2026:

States	Number of Borrowers	Number of Loans	Value of Collateral ⁽¹⁾	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽²⁾	Interest Spread ⁽⁴⁾
California	1	1	8,640	2,950	1,239	34%	7%
Florida	4	4	8,870	6,638	4,469	75%	7%
Georgia	1	1	490	100	99	20%	7%
Louisiana	1	1	150	88	89	59%	7%
New Jersey	1	1	348	50	50	53%	7%
North Carolina	1	1	394	210	210	%	7%
Pennsylvania	1	2	12,290	13,450	9,899	109%	varies
South Carolina	1	1	1,500	487	611	32%	7%
Texas	1	1	62	28	28	45%	7%
Utah	1	1	510	300	218	59%	7%
Wyoming	1	1	2,875	1,635	1,634	57%	7%
Total	14	15	\$ 36,129	\$ 25,936	\$ 18,546	72 %⁽³⁾	7%

(1) The value is determined by the appraised value.

(2) The loan to value ratio is calculated by taking the commitment amount and dividing by the appraised value.

(3) Represents the weighted average loan to value ratio of the loans.

(4) The interest spread varies for the state of Pennsylvania and is 7% across other states.

The following is a summary of our loan portfolio to builders for land development as of December 31, 2025:

States	Number of Borrowers	Number of Loans	Value of Collateral ⁽¹⁾	Commitment Amount	Gross Amount Outstanding	Loan to Value Ratio ⁽²⁾	Interest Spread ⁽⁴⁾
Florida	2	2	550	630	350	115%	7%
Georgia	1	1	560	100	99	18%	7%
Louisiana	1	1	150	88	88	59%	7%
New Jersey	1	1	88	56	56	64%	7%
North Carolina	2	2	3,037	681	680	22%	7%
Pennsylvania	1	2	15,337	14,066	12,854	92%	varies
South Carolina	1	1	1,500	487	539	32%	7%
Utah	2	2	3,146	1,600	868	51%	7%
Wyoming	1	1	2,750	1,635	1,634	59%	7%
Total	12	13	\$ 27,118	\$ 19,343	\$ 17,168	71 %⁽³⁾	7%

(1) The value is determined by the appraised value.

(2) The loan to value ratio is calculated by taking the commitment amount and dividing by the appraised value.

(3) Represents the weighted average loan to value ratio of the loans.

(4) The interest spread varies for the state of Pennsylvania and is 7% across other states.

The following is a roll forward of loan receivables, net of both construction and development loans:

	Six Months Ended June 30, 2026	Twelve Months Ended December 31, 2025
Beginning balance	\$ 59,223	\$ 49,254
Originations and modifications	35,536	59,571
Principal collections	(17,186)	(48,205)
Loan receivables, net transferred to foreclosed assets	(665)	(909)
Loan receivables, net transferred to real estate investments	(1,935)	-
Change in allowance for credit losses	(946)	(245)
Change in loan fees, net	(196)	(243)
Ending balance	<u>\$ 73,831</u>	<u>\$ 59,223</u>

Credit Quality Information

The following table presents the Company's gross loans receivable, commitment value and ACL for each respective credit rank loan pool category as of June 30, 2026:

	Loans Receivable Gross	Commitment Value	ACL
Construction Loans Collectively Evaluated:			
A Credit Risk	\$ 26,129	\$ 44,906	\$ 168
B Credit Risk	26,027	30,375	248
C Credit Risk	1,263	2,108	16
Individually Evaluated	5,469	7,362	1,580
Development Loans Collectively Evaluated:			
A Credit Risk	\$ 7,720	\$ 11,319	\$ 2
B Credit Risk	10,116	14,030	43
C Credit Risk	99	100	2
Individually Evaluated	611	487	-
Total	<u>\$ 77,434</u>	<u>\$ 110,687</u>	<u>\$ 2,059</u>

The following table presents the Company's gross loans receivable, commitment value and ACL for each respective credit rank loan pool category as of December 31, 2025.

	Loans Receivable Gross	Commitment Value	ACL
Construction Loans Collectively Evaluated:			
A Credit Risk	\$ 23,490	\$ 37,488	\$ 122
B Credit Risk	13,799	18,830	151
C Credit Risk	828	1,099	12
Individually Evaluated	6,399	8,480	745
Development Loans Collectively Evaluated:			
A Credit Risk	\$ 3,457	\$ 4,390	\$ 2
B Credit Risk	13,072	14,366	79
C Credit Risk	99	100	2
Individually Evaluated	539	487	-
Total	<u>\$ 61,683</u>	<u>\$ 85,240</u>	<u>\$ 1,113</u>

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 90 days non-accruing as of June 30, 2026:

	Non-accrual without ACL	Non-accrual with ACL	Accrual Loans Past Due Over 90 Days
Construction Loans:			
Individually Evaluated	\$ 1,209	\$ 2,969	\$ —
Development Loans:			
Individually Evaluated	\$ 611	\$ —	\$ —
Total	<u>\$ 1,820</u>	<u>\$ 2,969</u>	<u>\$ —</u>

The following table presents the amortized cost basis of loans on individually evaluated status and loans past due over 90 days non-accruing as of December 31, 2025:

	Non-accrual without ACL	Non-accrual with ACL	Accrual Loans Past Due Over 90 Days
Construction Loans:			
Individually Evaluated	\$ 1,887	\$ 3,160	\$ —
Development Loans:			
Individually Evaluated	\$ 539	\$ —	\$ —
Total	<u>\$ 2,426</u>	<u>\$ 3,160</u>	<u>\$ —</u>

The following is an aging of our gross loan portfolio as of June 30, 2026:

	Gross Loan Value	Current 0 - 89	Past Due 90 - 179	Past Due 180 - 269	Past Due >270
Construction Loans:					
A Credit Risk	\$ 26,129	\$ 26,129	\$ —	\$ —	\$ —
B Credit Risk	26,027	26,027	—	—	—
C Credit Risk	1,263	1,263	—	—	—
Individually Evaluated	5,469	2,818	—	2,419	232
Development Loans:					
A Credit Risk	7,720	7,720	—	—	—
B Credit Risk	10,116	10,116	—	—	—
C Credit Risk	99	99	—	—	—
Individually Evaluated	611	—	—	—	611
Total	<u>\$ 77,434</u>	<u>\$ 74,172</u>	<u>\$ —</u>	<u>\$ 2,419</u>	<u>\$ 843</u>

The following is an aging of our gross loan portfolio as of December 31, 2025:

	Gross Loan Value	Current 0 - 89	Past Due 90 - 179	Past Due 180 - 269	Past Due >270
Construction Loans:					
A Credit Risk	\$ 23,490	\$ 23,490	\$ —	\$ —	\$ —
B Credit Risk	13,799	13,799	—	—	—
C Credit Risk	828	828	—	—	—
Individually Evaluated	6,399	5,201	618	446	134
Development Loans:					
A Credit Risk	3,457	3,457	—	—	—
B Credit Risk	13,072	13,072	—	—	—
C Credit Risk	99	99	—	—	—
Individually Evaluated	539	—	539	—	—
Total	\$ 61,683	\$ 59,946	\$ 1,157	\$ 446	\$ 134

Below is an aging schedule of loans receivable as of June 30, 2026, on a recency basis:

	No. Loans	Unpaid Balances	%
Current loans (current accounts and accounts on which more than 50% of an original contract payment was made in the last 59 days)	190	\$ 74,172	95.8%
60-89 days	—	—	—%
90-179 days	—	—	—%
180-269 days	4	2,419	3.1%
>270 days	3	843	1.1%
Subtotal	197	\$ 77,434	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial Payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. "Total received" to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	197	\$ 77,434	100.0%

Below is an aging schedule of loans receivable as of December 31, 2025, on a recency basis:

	No. Loans	Unpaid Balances	%
Contractual terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from due date.)	155	\$ 58,507	94.9%
60-89 days	1	1,439	2.3%
90-179 days	5	1,157	1.8%
180-269 days	2	446	0.7%
>270 days	1	134	0.3%
Subtotal	164	\$ 61,683	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. “Total received” to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	164	\$ 61,683	100.0%

Below is an aging schedule of loans receivable as of June 30, 2026, on a contractual basis:

	No. Loans	Unpaid Balances	%
Contractual Terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from the due date.)	190	\$ 74,172	95.8%
60-89 days	—	—	—%
90-179 days	—	—	—%
180-269 days	4	2,419	3.1%
>270 days	3	843	1.1%
Subtotal	197	\$ 77,434	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days.)	—	\$ —	—%
Partial Payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. “Total received” to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	197	\$ 77,434	100.0%

Below is an aging schedule of loans receivable as of December 31, 2025, on a contractual basis:

	No. Loans	Unpaid Balances	%
Contractual terms (All current Direct Loans and Sales Finance Contracts with installments past due less than 60 days from due date.)	155	\$ 58,507	94.9%
60-89 days	1	1,439	2.3%
90-179 days	5	1,157	1.8%
180-269 days	2	446	0.7%
>270 days	1	134	0.3%
Subtotal	164	\$ 61,683	100.0%
Interest only accounts (Accounts on which interest, deferment, extension and/or default charges were received in the last 60 days)	—	\$ —	—%
Partial payment accounts (Accounts on which the total received in the last 60 days was less than 50% of the original contractual monthly payment. "Total received" to include interest on simple interest accounts, as well as late charges on deferment charges on pre-computed accounts.)	—	\$ —	—%
Total	164	\$ 61,683	100.0%

The Company modifies loans for borrowers for various reasons, including but not limited to changes in what the builder is building versus what was appraised, changes in loan-to-value ("LTV") or market conditions, and a builder's inability to pay interest. This last grouping (builder's inability to pay interest) is done through forbearance agreements which will allow the builder to have a specified period not to pay interest while the home is either completed or marketed. Typically, those interest amounts are collected at final payoff of the loan.

Allowance for Credit Losses on Loans

The following table provides a roll forward of the allowance for credit losses and unfunded commitments as of June 30, 2026:

	Construction				Development				Total
	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	
Allowance for credit losses as of December 31, 2025	\$ (122)	\$ (151)	\$ (12)	\$ (746)	\$ (2)	\$ (78)	\$ (2)	\$ —	\$ (1,113)
Charge-offs	—	—	—	8	—	—	—	—	8
Recoveries	—	—	—	(11)	—	—	—	—	(11)
(Provision) benefit for credit losses on funded balances	(46)	(97)	(4)	(831)	—	35	—	—	(943)
Allowance for credit losses as of June 30, 2026	\$ (168)	\$ (248)	\$ (16)	\$ (1,580)	\$ (2)	\$ (43)	\$ (2)	\$ —	\$ (2,059)
Reserve for unfunded commitments as of December 31, 2025	\$ (73)	\$ (55)	\$ (4)	\$ —	\$ —	\$ (8)	\$ —	\$ —	\$ (140)
(Provision) benefit for credit losses on unfunded commitments	(48)	13	(6)	—	(1)	(9)	—	—	(51)
Reserve for unfunded commitments as of June 30, 2026	\$ (121)	\$ (42)	\$ (10)	\$ —	\$ (1)	\$ (17)	\$ —	\$ —	\$ (191)

The following table provides a roll forward of the allowance for credit losses and unfunded commitments as of June 30, 2025:

	Construction				Development				Total
	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	A Credit Risk	B Credit Risk	C Credit Risk	Individually Evaluated	
Allowance for credit losses as of December 31, 2024	\$ (150)	\$ (28)	\$ (13)	\$ (658)	\$ (1)	\$ —	\$ (18)	\$ —	\$ (868)
Charge-offs	—	—	—	152	—	—	—	—	152
Recoveries	—	—	—	(3)	—	—	—	—	(3)
(Provision) benefit for credit losses on funded balances	23	(32)	4	(133)	—	—	8	—	(130)
Allowance for credit losses as of June 30, 2025	<u>\$ (127)</u>	<u>\$ (60)</u>	<u>\$ (9)</u>	<u>\$ (642)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (10)</u>	<u>\$ —</u>	<u>\$ (849)</u>
Reserve for unfunded commitments as of December 31, 2024	\$ (65)	\$ (10)	\$ (12)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ (88)
(Provision) benefit for credit losses on unfunded commitments	10	(17)	3	—	1	—	—	—	(3)
Reserve for unfunded commitments as of June 30, 2025	<u>\$ (55)</u>	<u>\$ (27)</u>	<u>\$ (9)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (91)</u>

Allowance for Credit Losses on Unfunded Loan Commitments

Unfunded commitments to extend credit, which have similar collateral, credit and market risk to our outstanding loans, were \$33,254 and \$23,557 as of June 30, 2026 and December 31, 2025, respectively. The ACL is calculated at an estimated loss rate on the total commitment value for loans in our portfolio. The ACL on unfunded commitments is calculated as the difference between the ACL on commitment value less the estimated loss rate and the total gross loan value for loans in our portfolio. As of June 30, 2026, and December 31, 2025, the ACL for unfunded commitments was \$191 and \$140, respectively, and we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Loan Portfolio by Year of Origination

The table below presents the Company's loan portfolio by year of origination, category, and credit quality indicator as of June 30, 2026. Loans acquired are shown in the tables by origination year.

	2026	2025	2024	2023	2022	Prior	Total
Construction loans Collectively Evaluated:							
A Credit Risk	\$ 11,135	\$ 10,635	\$ 1,138	\$ 2,459	\$ 762	\$ -	\$ 26,129
B Credit Risk	4,768	13,671	5,939	636	1,013	-	26,027
C Credit Risk	127	-	1,136	-	-	-	1,263
Individually Evaluated	-	2,811	2,012	526	120	-	5,469
	16,030	27,117	10,225	3,621	1,895	-	58,888
Current Period Charge Offs							
	-	-	-	(8)	-	-	(8)
Development Loans Collectively Evaluated:							
A Credit Risk	5,736	1,895	89	-	-	-	7,720
B Credit Risk	-	8,555	-	-	-	1,561	10,116
C Credit Risk	-	-	-	99	-	-	99
Individually Evaluated	-	-	-	-	-	611	611
	5,736	10,450	89	99	-	2,172	18,546
Current Period Charge Offs							
	-	-	-	-	-	-	-
Total	\$ 21,766	\$ 37,567	\$ 10,314	\$ 3,720	\$ 1,895	\$ 2,172	\$ 77,434

The table below presents the Company's loan portfolio by year of origination, category, and credit quality indicator as of December 31, 2025. Loans acquired are shown in the tables by origination year.

	2025	2024	2023	2022	2021	Prior	Total
Construction loans Collectively Evaluated:							
A Credit Risk	\$ 15,907	\$ 3,786	\$ 2,277	\$ 939	\$ 581	\$ -	\$ 23,490
B Credit Risk	7,228	4,938	620	1,013	-	-	13,799
C Credit Risk	-	827	-	-	-	-	827
Individually Evaluated	2,323	2,429	1,050	597	-	-	6,399
	25,458	11,980	3,947	2,549	581	-	44,515
Current Period Charge Offs							
	-	-	-	(125)	(27)	(670)	(822)
Development Loans Collectively Evaluated:							
A Credit Risk	3,020	438	-	-	-	-	3,458
B Credit Risk	11,602	-	-	-	-	1,470	13,072
C Credit Risk	-	-	99	-	-	-	99
Individually Evaluated	-	-	-	-	-	539	539
	14,622	438	99	-	-	2,009	17,168
Current Period Charge Offs							
	-	-	-	-	-	-	-
Total	\$ 40,080	\$ 12,418	\$ 4,046	\$ 2,549	\$ 581	\$ 2,009	\$ 61,683

Concentration of Risks

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of loans receivable. Our concentration risks for our top three customers listed by geographic real estate market are summarized in the table below:

	June 30, 2026		December 31, 2025	
	Borrower City	Percent of Loan Commitments	Borrower City	Percent of Loan Commitments
Highest concentration risk	Pittsburgh, PA	30%	Pittsburgh, PA	36%
Second highest concentration risk	Central and Southwest FL	7%	Central and Southwest, FL	7%
Third highest concentration risk	St. George, UT	6%	St. George, UT	6%

Foreclosed Assets

Below is a roll forward of foreclosed assets:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 499	\$ 1,356	\$ 1,356
Foreclosed assets transferred from loans receivables, net	665	909	909
Additions for construction in foreclosed assets	5	96	92
Sale proceeds	(502)	(1,657)	(824)
Loss on foreclosed assets	(81)	(205)	(19)
Ending balance	<u>\$ 586</u>	<u>\$ 499</u>	<u>\$ 1,514</u>

Segment Reporting

Effective January 1, 2026, the Company changed their reportable segments to a single reportable segment. Following the sale of 339 Justabout Land Company on August 6, 2025, which was a reportable segment of the Company, the Company no longer has any separately reportable segments.

The Company's one reportable segment generates income principally from interest on loans, as well as from fees charged in connection with various lending services. The chief operating decision maker ("CODM") is the Chief Executive Officer, who for the purposes of assessing performance, making operating decisions, and allocating Company resources, regularly reviews net income as reported in the consolidated statements of operations. The level of disaggregation and amounts of significant segment income and expenses, such as interest and fee income, interest expense, provision for credit losses, salaries and employee benefits expense and other items, that are regularly provided to the CODM are the same as those presented in the accompanying consolidated statements of operations. Likewise, the measure of segment assets is reported on the accompanying consolidated balance sheets as total assets.

Information about reportable segments, and reconciliations of such information to the Interim Consolidated Financial Statements are described below.

Reconciliation of Consolidated Statements of Operations:

Shepherd's Finance, LLC
Interim Consolidated Statements of Operations
For the Quarter Ended June 30, 2025

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Total
Net Interest and Fee Income			
Interest and fee income on loans	\$ -	\$ 2,536	\$ 2,536
Interest expense:			
Interest related to secure borrowings	-	327	327
Interest related to unsecured borrowings	-	894	894
Interest expense	-	1,221	1,221
Net interest and fee income	-	1,315	1,315
Less: Provision for credit losses	-	(13)	(13)
Net interest and fee income after provision for credit losses	-	1,328	1,328
Non-Interest Income			
Revenue from the sale of land parcels	968	-	968
Option fee income	120	-	120
Other income	-	54	54
Total non-interest income	1,088	54	1,142
Income before non-interest expense	1,088	1,382	2,470
Non-Interest Expense			
Cost on the sale of land parcels	968	-	968
Selling, general and administrative	-	957	957
Depreciation and amortization	-	20	20
Loss on foreclosed assets	-	4	4
Total non-interest expense	968	981	1,949
Net income	<u>\$ 120</u>	<u>\$ 401</u>	<u>\$ 521</u>

Shepherd's Finance, LLC
Interim Consolidated Statements of Operations
For the Six Months Ended June 30, 2025

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Total
Net Interest and Fee Income			
Interest and fee income on loans	\$ -	\$ 4,965	\$ 4,965
Interest expense:	-		
Interest related to secure borrowings	-	611	611
Interest related to unsecured borrowings	-	1,791	1,791
Interest expense	-	2,401	2,401
Net interest and fee income	-	2,564	2,564
Less: Provision for credit losses	-	120	120
Net interest and fee income after provision for credit losses	-	2,444	2,444
Non-Interest Income			
Revenue from the sale of land parcels	2,805	-	2,805
Option fee income	274	-	274
Other income	-	101	101
Total non-interest income	3,079	101	3,180
Income before non-interest expense	3,079	2,545	5,624
Non-Interest Expense			
Cost on the sale of land parcels	2,805	-	2,805
Selling, general and administrative	-	1,894	1,894
Depreciation and amortization	-	40	40
Loss on foreclosed assets	-	19	19
Total non-interest expense	2,805	1,953	4,758
Net income	<u>\$ 274</u>	<u>\$ 592</u>	<u>\$ 866</u>

Reconciliation of total assets:

<i>(in thousands of dollars)</i>	339 Justabout Land Company, LLC	Shepherds Finance, LLC	Elimination	Total
Total assets as of December 31, 2025	\$ -	\$ 68,536	\$ -	\$ 68,536

Real Estate Investments

During the quarter and six months ended June 30, 2026, the Company purchased five real estate development lots for \$1,960 and sold one asset for sale proceeds of \$169 and a loss on sale of \$3, respectively.

The following table is a roll forward of real estate investment assets:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 169	\$ 13,529	\$ 13,529
Proceeds from disposal of 339	-	(9,876)	-
Gain on sale of real estate investments	-	276	-
Loss on sale of real estate investments	(3)	-	-
Proceeds from the sale of real estate investments	(169)	(4,956)	(2,805)
Real estate investments transferred from loan receivables, net	1,935	-	-
Investments in real estate assets	25	-	-
Additions for construction/development	4	1,196	870
Ending balance	<u>\$ 1,961</u>	<u>\$ 169</u>	<u>\$ 11,594</u>

Capitalized Interest Activity

The following table is capitalized interest in real estate investment assets:

	June 30, 2026	June 30, 2025
Capitalized interest	\$ 1	\$ 463
Cost of funds	9.39%	10.01%

The capitalized interest is included within real estate investment assets on the consolidated balance sheet.

Refundable Prepaid Interest

Below is a roll forward of refundable prepaid interest:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Beginning balance	\$ 965	\$ 353	\$ 353
Additions from Pennsylvania loans	618	1,198	—
Additions from other loans	754	1,312	935
Interest, fees, principal or repaid to borrower	(1,351)	(1,898)	(509)
Ending balance	<u>\$ 986</u>	<u>\$ 965</u>	<u>\$ 779</u>

Related Party Borrowings

As of June 30, 2026 and December 31, 2025, the Company had \$6 and \$26 borrowed against its lines of credit from affiliates, respectively, with a total limit of \$2,500 as of June 30, 2026 and December 31, 2025.

BorrowingsSecured Borrowings-Lines of Credit*Lines of Credit with Mr. Wallach and His Affiliates*

As of June 30, 2026 and December 31, 2025, the Company had \$6 and \$26 borrowed against its lines of credit from affiliates, respectively, with a total limit of \$2,500 as of June 30, 2026 and December 31, 2025.

United Lines of Credit

In January 2025, we established a revolving line of credit with United Bank for \$2,275, maturing in January 2027. The interest rate on this line of credit is 5.5%. As of June 30, 2026 and December 31, 2025, the amount due on this line of credit was \$2,275.

In January 2025, we established a revolving line of credit with United Bank for \$725, with an expiration date of January 2040. The interest rate on this line of credit is 7.5%. As of June 30, 2026 and December 31, 2025, the amount due on this line of credit was \$725. The Company's office in Jacksonville, FL, is used as collateral for this line of credit.

Liberty Savings Bank Line of Credit

In December 2025, we established a revolving line of credit with Liberty Savings Bank for \$5,000, which may be terminated upon 90 days' written notice. The interest rate on this line of credit varies and is indexed to the current Prime rate plus 0.5%. As of June 30, 2026 and December 31, 2025, the Company had borrowed \$5,000 and \$0 against the revolving line of credit, respectively.

Loan Purchase and Sale Agreements

As of June 30, 2026 and December 31, 2025, there is no limit on the maximum principal amount under the Builder Finance loan purchase and sale agreement, and the outstanding principal under such agreement was \$2,024 and \$1,459, respectively, with an interest rate of 8.99% for both periods. The agreement has a term of 12 months and renews automatically for an additional 12 months unless either party provides written notice of intent not to renew at least six months prior to the end of the term.

As of June 30, 2026 and December 31, 2025, the maximum principal amount under the S.K. Funding loan purchase and sale agreement was \$6,500 for both period end dates. Borrowings up to \$1,400 over the principal amount may be unsecured. There were \$0 of unsecured borrowings as of both June 30, 2026 and December 31, 2025, with an interest rate of 10% for both periods. The agreement has a term of 12 months and renews automatically for an additional 12 months unless either party provides written notice of intent not to renew at least six months prior to the end of the term. Additionally, the Company executed an amendment to the agreement with S.K. Funding that allowed the Company to sell participating interests in loans. The balance of the portion sold on these loans is removed from the balance sheet of the Company, and interest on the portion sold is not reflected in its statement of operations. As of June 30, 2026 and December 31, 2025, the loan receivable principal balance sold under this agreement was \$1,400.

Secured Deferred Financing Costs

The Company had secured deferred financing costs of \$11 and \$12 as of June 30, 2026 and December 31, 2025, respectively.

Secured Borrowings Secured by Loan Assets

Borrowings secured by loan assets are summarized below:

	June 30, 2026		December 31, 2025	
	Book Value of Loans which Served as Collateral	Due from Shepherd's Finance to Loan Purchaser or Lender	Book Value of Loans which Served as Collateral	Due from Shepherd's Finance to Loan Purchaser or Lender
Loan Purchaser				
Builder Finance	\$ 6,750	\$ 2,024	\$ 1,813	\$ 1,458
S.K. Funding	14,200	6,500	16,867	6,500
Lender				
Shuman	—	—	210	125
Jeff Eppinger	6,913	3,000	5,859	200
R. Scott Summers	1,865	928	2,731	903
John C. Solomon	857	563	1,057	563
Judith Swanson	11,946	7,000	12,990	6,407
Liberty Savings Bank	6,003	5,001	—	—
Total	\$ 48,534	\$ 25,016	\$ 41,527	\$ 16,156

Unsecured Borrowings

Unsecured Notes through the Public Offering ("Notes Program")

The effective interest rate on borrowings through our Notes Program as of June 30, 2026 and December 31, 2025, was 8.95% and 8.90%, respectively.

We generally offer four durations at any given time, ranging from 12 to 48 months from the date of issuance. All Notes sold in our fifth public offering, which was declared effective on April 30, 2026, include a mandatory early redemption option, provided that the proceeds are reinvested. In our other historical offerings, there were limited rights of early redemption. Our 36-month Note sold in our third public note offering had a mandatory early redemption option, subject to certain conditions.

The following table is a roll forward of our Notes Program:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Gross Notes outstanding, beginning of period	\$ 22,164	\$ 19,968	\$ 19,968
Notes issued	1,479	7,612	1,632
Note repayments / redemptions	(1,558)	(5,416)	(1,921)
Gross Notes outstanding, end of period	\$ 22,085	\$ 22,164	\$ 19,679
Less deferred financing costs, net	(278)	(229)	(89)
Notes outstanding, net	<u>\$ 21,807</u>	<u>\$ 21,935</u>	<u>\$ 19,590</u>

The following is a roll forward of deferred financing costs related to the Notes Program:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Deferred financing costs, beginning balance	\$ 1,302	\$ 1,060	\$ 1,060
Additions	90	242	52
Disposals	(693)	-	-
Deferred financing costs, ending balance	699	1,302	1,112
Less accumulated amortization	(421)	(1,073)	(1,023)
Deferred financing costs, net	<u>\$ 278</u>	<u>\$ 229</u>	<u>\$ 89</u>

The following is a roll forward of the accumulated amortization of deferred financing costs:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025	Six Months Ended June 30, 2025
Accumulated amortization, beginning balance	\$ 1,073	\$ 910	\$ 910
Additions	41	163	113
Disposals	(693)	-	-
Accumulated amortization, ending balance	<u>\$ 421</u>	<u>\$ 1,073</u>	<u>\$ 1,023</u>

Other Unsecured Debts

The following table is a detail of other unsecured debts are detailed below:

Loan	Maturity Date	Interest Rate ⁽¹⁾	June 30, 2026	December 31, 2025
Unsecured Line of Credit	July 2026	10.0%	\$ -	\$ 592
Unsecured Line of Credit	April 2027	10.0%	500	500
Unsecured Line of Credit	July 2026	9.75%	500	—
Unsecured Line of Credit – Senior Subordinated	January 2027	10.0%	750	—
Subordinated Promissory Note	July 2026	11.0%	1,000	—
Subordinated Promissory Note	February 2027	9.0%	600	600
Subordinated Promissory Note	March 2028	9.75%	500	500
Subordinated Promissory Note	December 2027	10.0%	20	20
Subordinated Promissory Note	January 2029	9.0%	15	15
Subordinated Promissory Note	February 2027	8.5%	200	200
Subordinated Promissory Note	March 2027	10.0%	26	26
Subordinated Promissory Note	November 2026	9.5%	200	200
Subordinated Promissory Note	March 2027	9.5%	1,000	1,000
Subordinated Promissory Note	September 2027	10.0%	108	108
Subordinated Promissory Note	July 2028	8.5%	100	100
Subordinated Promissory Note	August 2026	8.0%	291	291
Senior Subordinated Promissory Note	July 2026 ⁽²⁾	1.0%	740	740
Junior Subordinated Promissory Note	July 2026 ⁽²⁾	20.0%	460	460
Senior Subordinated Promissory Note	October 2028 ⁽²⁾	1.0%	1,072	1,072
Junior Subordinated Promissory Note	October 2028 ⁽²⁾	20.0%	666	666
Subordinated Promissory Note	March 2029	10.0%	1,200	1,200
Subordinated Promissory Note	May 2027	10.0%	97	97
Subordinated Promissory Note	November 2027	10.0%	120	120
Subordinated Promissory Note	April 2028	10.0%	149	149
Subordinated Promissory Note	April 2029	11.0%	2,000	2,000
Subordinated Promissory Note	October 2027	8.5%	200	200
Subordinated Promissory Note	October 2028	10.0%	1,043	1,043
Subordinated Promissory Note	December 2028	10.0%	149	149
Subordinated Promissory Note	October 2026	10.0%	1,142	1,142
Subordinated Promissory Note	April 2029	9.0%	301	301
Subordinated Promissory Note	December 2029	8.0%	248	248
Subordinated Promissory Note	October 2028	8.5%	100	100
Subordinated Promissory Note	March 2029	6.5%	442	—
Subordinated Promissory Note	January 2030	8.0%	15	—
Subordinated Promissory Note	February 2031	11.0%	400	—
Subordinated Promissory Note	February 2031	11.0%	300	—
Subordinated Promissory Note	February 2031	11.0%	365	—
Subordinated Promissory Note	February 2031	11.0%	400	—
Subordinated Promissory Note	February 2031	11.0%	300	—
Subordinated Promissory Note	March 2031	11.0%	500	—
Subordinated Promissory Note	March 2031	11.0%	497	—
			<u>\$ 18,716</u>	<u>\$ 13,839</u>

(1) Interest rate per annum, based upon actual days outstanding and a 365/366-day year.

(2) These notes were issued to the same holder and, when calculated together, yield a blended rate of 10% per annum.

Series C Preferred Equity

Series C preferred equity distributions, liquidation rights and conversion features are determined based on the undiscounted value, which was \$9,363 and \$9,085 as of June 30, 2026 and December 31, 2025, respectively.

The following table shows the earliest conversion options for investors in Series C preferred equity as of June 30, 2026. Amounts are presented at redeemable values, which are prior to discounts reflected in the carrying amounts:

Year Maturing	Total Amount Convertible
Currently convertible (requires notice of 12 months)	\$ 3,498
2027	309
2028	1,381
2029	206
2030 and thereafter	3,969
Total	\$ 9,363

Priority of Borrowings

The following table displays our borrowings and a ranking of priority. The lower the number, the higher the priority.

	Priority Rank	June 30, 2026	December 31, 2025
Borrowing Source			
Purchase and sale agreements and other secured borrowings	1	\$ 28,015	\$ 18,431
Secured line of credit from affiliates	2	6	26
Unsecured line of credit (senior)	3	750	-
Other unsecured debt (senior subordinated)	4	1,812	1,812
Unsecured Notes through our public offering, gross	5	22,085	22,164
Other unsecured debt (subordinated)	5	15,028	10,901
Other unsecured debt (junior subordinated)	6	1,126	1,126
Less deferred financing fees		(289)	(241)
Total		\$ 68,533	\$ 54,219

Liquidity and Capital Resources

Our primary liquidity management objective is to meet expected cash flow needs while continuing to service our business and customers. As of June 30, 2026 and December 31, 2025, we had combined loans outstanding of 197 and 161, respectively. In addition, loans receivables, gross were \$77,434 and \$61,683 as of June 30, 2026 and December 31, 2025, respectively.

Unfunded commitments to extend credit, which have similar collateral, credit and market risk to our outstanding loans, were \$33,254 and \$23,557 as of June 30, 2026, and December 31, 2025, respectively. For off-balance-sheet credit exposures, the estimate of expected credit losses has been presented as a liability on the balance sheet as of June 30, 2026. Other than unfunded commitments, we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

We anticipate the Company's originations to be higher in 2026 due to an increase in marketing and sales efforts.

To fund our combined loans, we rely on secured debt, unsecured debt, and equity, which are described in the following table:

Source of Liquidity	As of June 30, 2026	As of December 31, 2025
Secured debt, net of deferred financing costs	\$ 28,010	\$ 18,445
Unsecured debt, net of deferred financing costs	\$ 40,523	\$ 35,774
Members' Capital	\$ 8,884	\$ 8,211
Cash and cash equivalents	\$ 5,316	\$ 6,015

As of June 30, 2026 and December 31, 2025, cash, cash equivalents and restricted cash were \$5,316 and \$6,015, respectively.

Secured debt, net of deferred financing costs increased \$9,565 to \$28,010 as of June 30, 2026, compared to \$18,445 for the year ended December 31, 2025. The increase in secured debt was due primarily to borrowings to partially fund our increase in loan assets.

Unsecured debt, net of deferred financing costs increased \$4,749 to \$40,523 as of June 30, 2026, compared to \$35,774 as of December 31, 2025. The increase in unsecured debt was due primarily to borrowings to partially fund our increase in loan assets.

Members' Capital increased \$673 to \$8,884 as of June 30, 2026, compared to \$8,211 as of December 31, 2025.

We anticipate equity to increase during the last six months of 2026, mostly through retained earnings. If we cannot maintain our equity, we will rely more heavily on raising additional funds through the Notes Program.

The total amount of our debt maturing as of June 30, 2026 is \$32,145 which consists of secured borrowings of \$25,021 and unsecured borrowings of \$7,124.

Secured borrowings maturing as of June 30, 2026 significantly consists of loan purchase and sale agreements with two loan purchasers (Builder Finance and S. K. Funding) and secured lines of credit with several lenders. These secured borrowings are listed as maturing over the next 12 months due primarily to their related demand loan collateral.

The following are secured facilities listed as principal maturing in 2026 with actual maturity and renewal dates:

- Swanson – \$7,000 automatically renews unless notice given;
- S. K. Funding – \$4,500 due July 2027 and automatically renews unless notice is given;
- S. K. Funding – \$2,000 of the total due January 2027;
- Builder Finance, Inc – \$2,024 with no expiration date;
- Liberty Savings Bank - \$5,001 no expiration date and may terminate upon 90 days of written notice
- New LOC Agreements - \$4,490 generally one-month notice and nine months to reduce principal balance to zero;
- Line of credits with affiliates - \$6 and due upon demand.

Unsecured borrowings due by December 31, 2026, consist of Notes issued pursuant to the Notes Program and other unsecured debt of \$1,541 and \$5,583, respectively. To the extent that Notes issued pursuant to the Notes Program are not reinvested upon maturity, we will be required to fund the maturities, which we anticipate funding through the issuance of new Notes in our Notes Program. During the last twelve months, approximately 88% of our Notes Program holders reinvested upon maturity. The 36-month Note sold in our public note offerings had a mandatory early redemption option, subject to certain conditions. Historically, our other unsecured debt has renewed. For more information on other unsecured borrowings, see Note 7 – Borrowings. If other unsecured borrowings are not renewed in the future, we anticipate funding such maturity through investments in our Notes Program.

Summary

We have the funding available to address the loans we have today, including our unfunded commitments. We anticipate an increase in our assets during the remainder of 2026 due to an increase in our marketing efforts. We are prepared for an increase in assets through the net sources and uses (12-month liquidity) listed above as well as future capital from debt, preferred equity, and regular equity. Although our secured debt is almost entirely listed as current due because of the underlying collateral being demand notes, the vast majority of our secured debt is either contractually set to automatically renew unless notice is given or, in the case of purchase and sale agreements, has no end date as to when the purchasers will not purchase new loans (although they are never required to purchase additional loans).

Inflation, Interest Rates, and Housing Starts

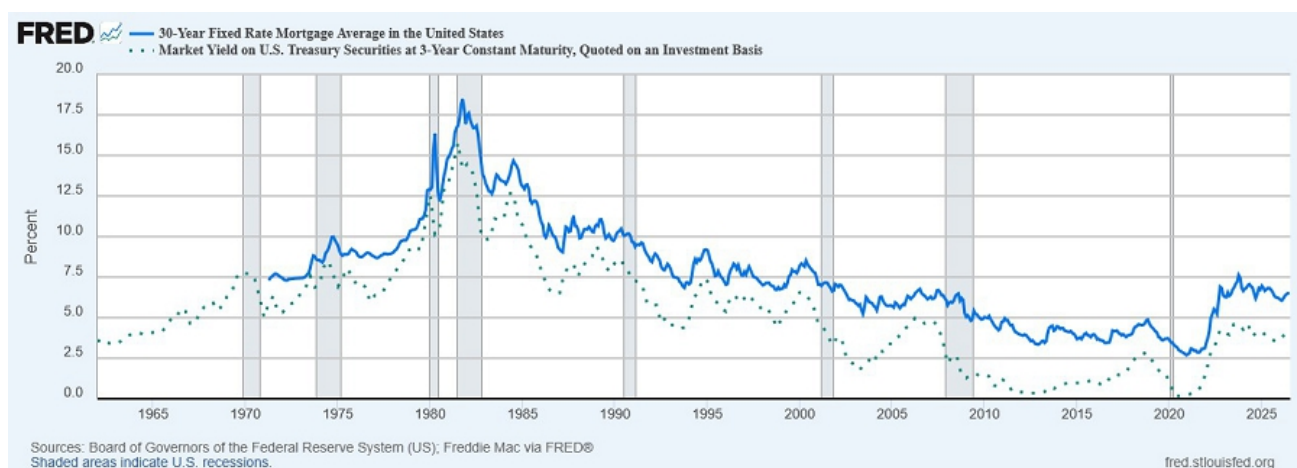
Since we are in the housing industry, we are affected by factors that impact that industry. Housing starts impact our customers' ability to sell their homes. Faster sales generally mean higher effective interest rates for us, as the recognition of fees we charge is spread over a shorter period. Slower sales generally mean lower effective interest rates for us. Slower sales also are likely to increase the default rate we experience.

Housing inflation has a positive impact on our operations. When we lend initially, we are lending a percentage of a home's expected value, based on historical sales. If those estimates prove to be low (in an inflationary market), the percentage we loaned of the value actually decreases, reducing potential losses on defaulted loans. The opposite is true in a deflationary housing price market. It is our opinion that values are well above average in many of the housing markets in the U.S. today, and our lending against these values is having more risk than prior years. In some of our markets, prices of homes sold are dropping. This is both because some homes are selling for less and because the average home selling is smaller (more affordable). However, we anticipate significant declines in home values in some markets over the next 12 months.

Interest rates have several impacts on our business. First, rates affect housing (starts, home size, etc.). High long-term interest rates may decrease housing starts, having the effects listed above. Housing starts have been in a tight range over the last year, and generally payoffs appear stable. Higher interest rates will also affect our investors. We believe that there will be a spread between the rate our Notes yield to our investors and the rates the same investors could get on deposits at FDIC insured institutions. We also believe that the spread may need to widen if these rates rise. For instance, if we pay 7% above average CD rates when CDs are paying 0.5%, when CDs are paying 5%, we may have to have a larger than 7% difference. This may cause our lending rates, which are based on our cost of funds, to be uncompetitive. High interest rates may also increase builder defaults, as interest payments may become a higher portion of operating costs for the builder.

However, we note that one difference between the current housing cycle compared to prior cycles is that the supply of used homes in the market is low due to the number of homes owned with lower interest rates. Due to the new data on used homes in the market, this makes understanding future results an issue for the Company. Meanwhile, as housing cycles start to decline, foreclosures increase and with their initial interest rate at 3% or less if started within the last 24 months, foreclosures may not have as large of an impact.

Below is a chart showing three-year U.S. treasury rates and 30-year fixed mortgage rates. The U.S. treasury rates are used by us here to approximate CD rates. Both the short- and long-term interest rates have risen slightly to historically normal levels.



Housing prices are also generally correlated with housing starts; therefore, increases in housing starts usually coinciding with increases in housing values, and the reverse is generally true. Looking at the chart below, housing starts have fallen back from the pandemic high; however, since then the change has remained relatively flat.

Below is a graph showing single family housing-starts from 2000 through today which is provided by Federal Reserve Economic Data ("FRED"):



Off-Balance Sheet Arrangements

As of June 30, 2026, we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer) evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during the quarter ended June 30, 2026 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) *Reinvestments in Partial Series C Cumulative Preferred Units*

Investors in the Series C cumulative preferred units ("Series C Preferred Units") may elect to reinvest their distributions in additional Series C Preferred Units (the "Series C Reinvestment Program"). Pursuant to the Series C Reinvestment Program, we issued the following Series C Preferred Units during the quarter ended June 30, 2026:

(amounts in this table are not in thousands)

Owner	Units	Amount
Daniel M. and Joyce S. Wallach	39,188.44	\$ 39,188.44
Gregory L. Sheldon and Madeline M. Sheldon	35,031.79	35,031.79
Schultz Family Living Trust	7,294.80	7,294.80
Fernando Ascencio and Lorraine Carol Ascencio	13,648.63	13,648.63
Mark and Tris Ann Garboski	46,138.79	46,138.79
Total	141,302.44	\$ 141,302.44

The proceeds received from the sales of the partial Series C Preferred Units in these transactions were used for the funding of construction loans. The transactions in Series C Preferred Units described above were effected in private transactions exempt from the registration requirements of the Securities Act under Section 4(a)(2) of the Securities Act. The transactions described above did not involve any public offering, were made without general solicitation or advertising, and the buyer represented to us that he/she/it is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, with access to all relevant information necessary to evaluate the investment in the Series C Preferred Units.

(b) Not applicable.

(c) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

- (a) During the quarter ended June 30, 2026, there was no information required to be disclosed in a report on Form 8-K which was not disclosed in a report on Form 8-K.
- (b) During the quarter ended June 30, 2026, there were no material changes to the procedures by which members may recommend nominees to our board of managers.
- (c) During the quarter ended June 30, 2026, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

The exhibits required to be filed with this report are set forth on the Exhibit Index hereto and incorporated by reference herein.

EXHIBIT INDEX

The following exhibits are included in this report on Form 10-Q for the period ended June 30, 2026 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Name of Exhibit
3.1	<u>Certificate of Conversion, incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, filed on May 11, 2012, Commission File No. 333-181360</u>
3.2	<u>Certificate of Formation, incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, filed on May 11, 2012, Commission File No. 333-181360</u>
3.3	<u>Second Amended and Restated Limited Liability Company Agreement of the Registrant, incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, filed on November 13, 2017, Commission File No. 333-203707</u>
3.4	<u>Amendment No. 1 to Second Amended and Restated Limited Liability Company Agreement of the Registrant, incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q, filed May 9, 2019, Commission File No. 333-203707</u>
3.5	<u>Amendment No. 2 to Second Amended and Restated Limited Liability Company Agreement of the Registrant, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed March 31, 2020, Commission File No. 333-224557</u>
3.6	<u>Amendment No. 3 to Second Amended and Restated Limited Liability Company Agreement of the Registrant, incorporated by reference to Exhibit 3.6 to the Registrant's Annual Report on Form 10-K, filed March 15, 2024, Commission File No. 333-224557.</u>
3.7	<u>Amendment No. 4 to the Second Amended and Restated Limited Liability Company Agreement of Shepherd's Finance, LLC, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed April 22, 2024, Commission File No. 333-224557.</u>
4.1	<u>Indenture Agreement (including Form of Note) dated April 30, 2026, incorporated by reference to Exhibit 4.1 to the Registrant's Post-Effective Amendment No. 1, filed on April 30, 2026, Commission File No. 333-290256</u>
31.1*	<u>Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1**	<u>Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2**	<u>Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
101.LAB*	Inline XBRL Labels Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
104*	Inline XBRL Cover Page Interactive Data File

* Filed herewith.

** Furnished.

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.

SHEPHERD'S FINANCE, LLC
(Registrant)

Dated: August 10, 2026

By: /s/ Catherine Leslie
Catherine Leslie
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel M. Wallach, certify that:

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

Dated: August 10, 2026

By: /s/ Daniel M. Wallach

Daniel M. Wallach
Chief Executive Officer and Manager
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Catherine Leslie, certify that:

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

Dated: August 10, 2026

By: /s/ Catherine Leslie
Catherine Leslie
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Shepherd's Finance, LLC (the "Company"), in connection with the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2026 (the "Report") hereby certifies, to his knowledge, that:

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

Dated: August 10, 2026

By: /s/ Daniel M. Wallach

Daniel M. Wallach
Chief Executive Officer and Manager
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Shepherd's Finance, LLC (the "Company"), in connection with the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2026 (the "Report") hereby certifies, to her knowledge, that:

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

Dated: August 10, 2026

By: /s/ Catherine Leslie

Catherine Leslie
Chief Financial Officer
(Principal Financial and Accounting Officer)
