

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**MINISTRY PARTNERS INVESTMENT COMPANY, LLC**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 March 31, 2018

OR

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

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

**333-40281a**

*(Commission file No.)*

**MINISTRY PARTNERS INVESTMENT COMPANY, LLC**

*(Exact name of registrant as specified in its charter)*

**CALIFORNIA**

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

**26-3959348**

*(I.R.S. employer identification no.)*

**915 West Imperial Highway, Brea, Suite 120, California, 92821**

*(Address of principal executive offices)*

**(714) 671-5720**

*(Registrant's telephone number, including area code)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No .

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  
filer  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 .

At March 31, 2018, registrant had issued and outstanding 146,522 units of its Class A common units. The information contained in this Form 10-Q should be read in conjunction with the registrant's Annual Report on Form 10-K for the year ended December 31, 2017.

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MINISTRY PARTNERS INVESTMENT COMPANY, LLC

FORM 10-Q

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Ministry Partners Investment Company, LLC and Subsidiaries

#### Consolidated Balance Sheets

March 31, 2018 and December 31, 2017

(Dollars in thousands Except Unit Data)

	<u>2018</u>	<u>2017</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>Assets:</b>		
Cash	\$ 11,879	\$ 9,907
Restricted cash	56	58
Loans receivable, net of allowance for loan losses of \$2,160 and \$2,097 as of March 31, 2018 and December 31, 2017, respectively	144,492	148,835
Accrued interest receivable	725	742
Investments in joint venture	896	896
Property and equipment, net	95	103
Servicing assets	251	270
Other assets	345	211
Total assets	<u>\$ 158,739</u>	<u>\$ 161,022</u>
<b>Liabilities and members' equity</b>		
<b>Liabilities:</b>		
NCUA credit facilities	\$ 80,265	\$ 81,492
Notes payable, net of debt issuance costs of \$72 and \$85 as of March 31, 2018 and December 31, 2017, respectively	68,228	69,003
Accrued interest payable	206	208
Other liabilities	636	890
Total liabilities	<u>149,335</u>	<u>151,593</u>
<b>Members' Equity:</b>		
Series A preferred units, 1,000,000 units authorized, 117,100 units issued and outstanding at March 31, 2018 and December 31, 2017 (liquidation preference of \$100 per unit); See Note 11	11,715	11,715
Class A common units, 1,000,000 units authorized, 146,522 units issued and outstanding at March 31, 2018 and December 31, 2017; See Note 12	1,509	1,509
Accumulated deficit	<u>(3,820)</u>	<u>(3,795)</u>
Total members' equity	<u>9,404</u>	<u>9,429</u>
Total liabilities and members' equity	<u>\$ 158,739</u>	<u>\$ 161,022</u>

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

**Ministry Partners Investment Company, LLC and Subsidiaries**  
**Consolidated Statements of Income (unaudited)**  
**For the three months ended March 31, 2018 and 2017**  
**(Dollars in thousands)**

	Three months ended March 31,	
	2018	2017
<b>Interest income:</b>		
Interest on loans	\$ 2,328	\$ 2,327
Interest on interest-bearing accounts	13	13
Total interest income	<u>2,341</u>	<u>2,340</u>
<b>Interest expense:</b>		
NCUA Credit Facilities	499	535
Notes payable	687	563
Total interest expense	<u>1,186</u>	<u>1,098</u>
Net interest income	1,155	1,242
Provision for loan losses	63	5
Net interest income after provision for loan losses	<u>1,092</u>	<u>1,237</u>
<b>Non-interest income:</b>		
Broker-dealer commissions and fees	156	146
Other lending income	69	148
Total non-interest income	<u>225</u>	<u>294</u>
<b>Non-interest expenses:</b>		
Salaries and benefits	714	727
Marketing and promotion	38	19
Office occupancy	37	38
Office operations and other expenses	302	320
Legal and accounting	161	176
Total non-interest expenses	<u>1,252</u>	<u>1,280</u>
Income before provision for income taxes	65	251
Provision for income taxes and state LLC fees	6	6
Net income	<u>\$ 59</u>	<u>\$ 245</u>

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

**Ministry Partners Investment Company, LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the three months ended March 31, 2018 and 2017**  
**(Dollars in thousands)**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 59	\$ 245
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	8	7
Amortization of deferred loan fees	(50)	(124)
Amortization of debt issuance costs	27	27
Provision for loan losses	63	5
Accretion of loan discount	(5)	(9)
Gain on sale of loans	--	(80)
Changes in:		
Accrued interest receivable	16	(6)
Other assets	(115)	(129)
Other liabilities and accrued interest payable	(200)	(224)
Net cash used by operating activities	<u>(197)</u>	<u>(288)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loan originations	(426)	(4,100)
Loan sales	--	3,828
Loan principal collections	4,761	2,784
Purchase of property and equipment	--	(10)
Net cash provided by investing activities	<u>4,335</u>	<u>2,502</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in NCUA borrowings	(1,227)	(1,197)
Net change in notes payable	(788)	5,523
Debt issuance costs	(14)	(21)
Dividends paid on preferred units	(139)	(129)
Net cash (used) provided by financing activities	<u>(2,168)</u>	<u>4,176</u>
Net increase in cash and restricted cash	1,970	6,390
Cash, cash equivalents, and restricted cash at beginning of period	9,965	10,336
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 11,935</u>	<u>\$ 16,726</u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 1,188	\$ 1,091
Income taxes paid	\$ 7	\$ --

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

## MINISTRY PARTNERS INVESTMENT COMPANY, LLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accounting and financial reporting policies of MINISTRY PARTNERS INVESTMENT COMPANY, LLC (the “**Company**”, “**we**”, or “**our**”) and its wholly-owned subsidiaries, Ministry Partners Funding, LLC, MP Realty Services, Inc., and Ministry Partners Securities, LLC, conform to accounting principles generally accepted in the United States and general financial industry practices. The accompanying interim consolidated financial statements have not been audited. A more detailed description of the Company’s accounting policies is included in its 2017 annual report filed on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2018 and for the three months ended March 31, 2018 and 2017 have been made.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results of operations for the periods ended March 31, 2018 and 2017 are not necessarily indicative of the results for the full year.

#### 1. Summary of Significant Accounting Policies

##### *Nature of Business*

Ministry Partners Investment Company, LLC (the “**Company**”) was incorporated in California in 1991 as a C corporation and converted to a limited liability company on December 31, 2008. The Company is owned by a group of 11 federal and state chartered credit unions, as well as the Asset Management Assistance Center (“**AMAC**”) of the National Credit Union Administration (“**NCUA**”), none of which owns a majority of the voting equity units of the Company. AMAC owns only Series A Preferred Units, while our credit union equity holders own both our Class A Common Units and Series A Preferred Units. Offices of the Company are located in Brea, California. The Company provides funds for real property secured loans as well as unsecured loans for the benefit of evangelical churches and church organizations. In addition, the Company from time to time purchases these types of loans from other financial institutions. The Company funds its operations primarily through the sale of debt securities, as well as through other borrowings. Nearly all of the Company’s business and operations currently are conducted in California and its mortgage loan investments cover approximately 30 states, with the largest number of loans made to California borrowers.

The Company’s wholly owned subsidiaries are, Ministry Partners Funding, LLC (“**MPF**”), MP Realty Services, Inc., a California corporation (“**MP Realty**”), and Ministry Partners Securities, LLC, a Delaware limited liability company (“**MP Securities**”). MPF was formed 2007 and was inactive from November 30, 2009 through November 2014. In December 2014, the Company reactivated MPF to hold loans used as collateral for our new Secured Investment Certificates. MP Realty was formed in November 2009, and obtained a license to operate as a corporate real estate broker through the California Department of Real Estate on February 23, 2010. MP Realty has conducted limited operations to date.

MP Securities was formed on April 26, 2010 to provide investment and financing solutions for churches, charitable institutions and faith-based organizations. MP Securities acts as the selling agent for the Company’s public and private placement notes. MP Securities offers a broad scope of investment services including registered investment advisory services and the ability to sell various investment products including mutual funds and insurance products. Due to its broad offering of products and services, MP Securities is directly regulated by the following federal and state entities: the Securities and Exchange Commission (**SEC**), the Financial Industry Regulatory Authority (**FINRA**), the California Department of Business Oversight, and the California Department of Insurance. In addition, MP Securities is licensed with the state insurance or securities divisions in every state in which business is conducted. As of March 31, 2018, MP Securities was licensed to sell insurance products in 14 states and as a broker dealer firm in 24 states.





### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Ministry Partners Investment Company, LLC and its wholly-owned subsidiaries, MPF, MP Realty and MP Securities. All significant inter-company balances and transactions have been eliminated in consolidation.

### ***Conversion to LLC***

Effective as of December 31, 2008, the Company converted its form of organization from a corporation organized under California law to a limited liability company organized under the laws of the State of California. With the filing of Articles of Organization-Conversion with the California Secretary of State, the separate existence of Ministry Partners Investment Corporation ceased and the entity continued by operation of law under the name Ministry Partners Investment Company, LLC.

Since the conversion became effective, the Company is managed by a group of managers that provides oversight of the affairs and carries out their duties similar to the role and function that the Board of Directors performed under the previous bylaws. Operating like a Board of Directors, the managers have full, exclusive and complete discretion, power and authority to oversee the management of Company affairs. Instead of Articles of Incorporation and Bylaws, management structure and governance procedures are now governed by the provisions of an Operating Agreement that has been entered into by and between the Company's managers and members.

### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company had no cash positions other than demand deposits as of March 31, 2018 and December 31, 2017.

A portion of the Company's cash held at credit unions is insured by the National Credit Union Insurance Fund, while a portion of cash held at other financial institutions is insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company maintains cash that may exceed insured limits. The Company does not expect to incur losses in its cash accounts.

### ***Reclassifications***

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. Neither member's equity nor net income for the three months ended March 31, 2017 were impacted by the reclassifications.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to, but are not limited to, the determination of the allowance for loan losses and the valuation of foreclosed real estate.

### ***Investments in Joint Venture***

The Company's investment in a joint venture is analyzed for impairment by management on a periodic basis by comparing the carrying value to the estimated value of the underlying real property. Any impairment charges will be recorded as a valuation allowance against the value of the asset. The Company's share of income and expenses of the joint venture will increase or decrease the Company's investment and will be recorded on the income statement as realized gains or losses on investment.



## ***Loans Receivable***

Loans that management has the intent and ability to hold for the foreseeable future are reported at their outstanding unpaid principal balance adjusted for an allowance for loan losses, deferred loan fees and costs, and loan discounts. Interest income on loans is accrued on a daily basis using the interest method. Loan origination fees and costs are deferred and recognized as an adjustment to the related loan yield using the interest method. Loan discounts represent interest accrued and unpaid which has been added to loan principal balances at the time the loan was restructured. Loan discounts are accreted to interest income over the term of the restructured loan once the loan is deemed fully collectible and is no longer considered impaired. Loan discounts also represent the differences between the purchase price on loans we purchased from third parties and the recorded principal balance of the loan. These discounts are accreted to interest income over the term of the loan using the interest method. Discounts are not accreted to income on impaired loans.

The accrual of interest is discontinued at the time a loan is 90 days past due. Accrual of interest can be discontinued prior to the loan becoming 90 days past due if management determines the loan is impaired. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

## ***Allowance for Loan Losses***

The Company sets aside an allowance or reserve for loan losses through charges to earnings, which are shown in the Company's Consolidated Statements of Operations as a provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of general and specific components. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. In establishing the allowance for loan losses, management considers significant factors that affect the collectability of the Company's loan portfolio. While historical loss experience provides a reasonable starting point for the analysis, such experience by itself does not form a sufficient basis to determine the appropriate level of the allowance for loan losses. Management also considers qualitative (or environmental) factors that are likely to cause estimated credit losses associated with our existing portfolio to differ from historical loss experience, including:

- Changes in lending policies and procedures, including changes in underwriting standards and collection;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans; and
- The effect of credit concentrations.

These factors are adjusted on an on-going basis. The specific component of the Company's allowance for loan losses relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying value of that loan.

All loans in the loan portfolio are subject to impairment analysis. The Company reviews its loan portfolio monthly by examining delinquency reports and information related to the financial condition of its borrowers and collateral value of its loans. Through this process, the Company identifies potential impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting future scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. A loan is generally deemed to be impaired when it is 90 days or more past due, or earlier when facts and circumstances indicate that it is probable that a borrower will be unable to make payments in accordance with the loan contract.

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. When the Company modifies the terms of a loan for a borrower that is experiencing financial difficulties, a troubled debt restructuring is deemed to have occurred and the loan is classified as impaired. Loans or portions thereof are charged off when they are determined by management to be uncollectible. Uncollectability is evaluated periodically on all loans classified as "Loans of Lesser Quality." As the Company has an established practice of working to explore every possible means of repayment with its borrowers, it has historically not charged off a loan until the borrower has exhausted all reasonable means of making loan payments from cash flows, at which point the underlying collateral becomes subject to foreclosure. Among other variables, management will consider factors such as the financial condition of the borrower, and the value of the underlying collateral in assessing uncollectability.

### ***Troubled Debt Restructurings***

A troubled debt restructuring is a loan for which the Company, for reasons related to a borrower's financial difficulties, grants a concession to a borrower that the Company would not otherwise consider. A restructuring of a loan usually involves an interest rate modification, extension of the maturity date, or reduction of accrued interest owed on the loan on a contingent or absolute basis.

Loans that are renewed at below-market terms are considered to be troubled debt restructurings if the below-market terms represent a concession due to the borrower's troubled financial condition. Troubled debt restructurings are classified as impaired loans and are measured at the present value of estimated future cash flows using the loan's effective rate at inception of the loan. The change in the present value of cash flows attributable to the passage of time is reported as interest income. If the loan is considered to be collateral-dependent, impairment is measured based on the fair value of the collateral.

### ***Loan Portfolio Segments and Classes***

Management segregates the loan portfolio into portfolio segments for purposes of evaluating the allowance for loan losses. A portfolio segment is defined as the level at which the Company develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

Company's loan portfolio consists of one segment – church loans. The loan portfolio is segregated into the following portfolio classes:

***Wholly-Owned First Collateral Position.*** This portfolio class consists of wholly-owned loans and the retained portion of loans originated by the Company and sold for which the Company possesses a senior lien on the collateral underlying the loan.

***Wholly-Owned Junior Collateral Position.*** This portfolio class consists of the wholly-owned loans and the retained portion of loans originated by the Company and sold for which the Company possesses a lien on the underlying collateral that is superseded by another lien on the same collateral. This class also contains any loans that are not secured. These loans present higher credit risk than loans for which the Company possesses a senior lien due to the increased risk of loss should the loan default.

***Participations First Collateral Position.*** This portfolio class consists of the participated loans purchased from another financial entity for which the Company possesses a senior lien on the collateral underlying the loan. Loan participations purchased present higher credit risk than wholly owned loans because the Company does not maintain full control over the disposition and direction of actions regarding the management and collection of the loans. The lead lender directs most servicing and collection activities, and major actions must be coordinated and negotiated with the other participants, whose best interests regarding the loan may not align with those of the Company.

***Participations Junior Collateral Position.*** This portfolio class consists of the participated loans purchased from another financial entity for which the Company possesses a lien on the underlying collateral that is superseded by another lien on the same collateral. Loan participations in the junior collateral position loans have higher credit risk than wholly owned loans and participated loans purchased where the Company possesses a senior lien on the collateral. The increased risk is the result of the factors presented above relating to both junior lien positions and participations.

### ***Credit Quality Indicators***

The Company's policies provide for the classification of loans that are considered to be of lesser quality as watch, special mention, substandard, doubtful, or loss assets. Special mention assets exhibit potential or actual weaknesses that present a higher potential for loss under certain conditions. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on currently existing facts, conditions and values. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are designated as watch. Loans designated as watch are considered pass loans.

The Company has established a standard loan grading system to assist management and review personnel in their analysis and supervision of the loan portfolio. The loan grading system is as follows:

***Pass:*** The borrower has sufficient cash to fund debt services. The borrower may be able to obtain similar financing from other lenders with comparable terms. The risk of default is considered low.

***Watch:*** These loans exhibit potential or developing weaknesses that deserve extra attention from credit management personnel. If the developing weakness is not corrected or mitigated, there may be deterioration in the ability of the borrower to repay the debt in the future. Loans graded Watch must be reported to executive management and the Board of Managers. Potential for loss under adverse circumstances is elevated, but not foreseeable. Watch loans are considered pass loans.

***Special mention:*** These credit facilities exhibit potential or actual weaknesses that present a higher potential for loss under adverse circumstances, and deserve management's close attention. If uncorrected, these weaknesses may result in deterioration of the repayment prospects for the loan at some future date.



***Substandard:*** Loans and other credit extensions bearing this grade are considered to be inadequately protected by the current sound worth and debt service capacity of the borrower or of any pledged collateral. These obligations, even if apparently protected by collateral value, have well-defined weaknesses related to adverse financial, managerial, economic, ministry, or environmental conditions which have clearly jeopardized repayment of principal

and interest as originally intended. Furthermore, there is the possibility that some future loss will be sustained if such weaknesses are not corrected.

***Doubtful:*** This classification consists of loans that display the properties of substandard loans with the added characteristic that the severity of the weaknesses makes collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values. The probability of some loss is very high, but because of certain important and reasonably specific factors, the amount of loss cannot be exactly determined. Such pending factors could include merger or liquidation, additional capital injection, refinancing plans, or perfection of liens on additional collateral.

***Loss:*** Loans in this classification are considered uncollectible and cannot be justified as a viable asset. This classification does not mean the loan has absolutely no recovery value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

### ***Foreclosed Assets***

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management, and foreclosed assets held for sale are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value just prior to the transfer to foreclosed assets is charged to the allowance for loan losses. The Company's real estate assets acquired through foreclosure or other proceedings are evaluated regularly to ensure that the recorded amount is supported by its current fair value and that valuation allowances to reduce the varying amount to fair value less estimated costs of disposal are recorded as necessary. Revenue and expense from the operation of the Company's foreclosed assets and changes in the valuation allowance are included in net expenses from foreclosed assets. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

### ***Transfers of Financial Assets***

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to have been surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The Company, from time to time, sells participation interests in mortgage loans it has originated or acquired. In order to recognize the transfer of a portion of a financial asset as a sale, the transferred portion and any portion that continues to be held by the transferor must represent a participating interest, and the transfer of the participating interest must meet the conditions for surrender of control. To qualify as a participating interest (i) each portion of a financial asset must represent a proportionate ownership interest in an entire financial asset, (ii) from the date of transfer, all cash flows received from the entire financial asset must be divided proportionately among the participating interest holders in an amount equal to their share of ownership, (iii) the transfer must be made on a non-recourse basis (other than standard representations and warranties made under the loan participation sale agreement) to, or subordination by, any participating interest holder, and (iv) no party has the right to pledge or exchange the entire financial asset. If the participating interest or surrender of control criteria is not met, the transaction is accounted for as a secured borrowing arrangement.

Under some circumstances, when the Company sells participations in wholly owned loans receivable that it services, it retains a servicing asset that is initially measured at fair value. As quoted market prices are generally not available for these assets, the Company estimates fair value based on the present value of future expected cash flows associated with the loan receivable. The Company amortizes servicing assets over the life of the associated receivable using the interest method. Any

gain or loss recognized on the sale of loans receivable depends in part on both the previous carrying amount of the financial assets involved in the sale, allocated between the assets sold and the interests that continue to be held by the Company based on their relative fair value at the date of transfer, and the proceeds received.

### ***Property and Equipment***

Furniture, fixtures, and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

### ***Debt Issuance Costs***

Debt issuance costs are related to borrowings from financial institutions as well as public offerings of unsecured notes, and are amortized into interest expense over the contractual terms of the debt using the straight-line method.

### ***Employee Benefit Plan***

Contributions to the qualified employee retirement plan are recorded as compensation cost in the period incurred.

### ***Income Taxes***

The Company has elected to be treated as a partnership for income tax purposes. Therefore, income and expenses of the Company are passed through to its members for tax reporting purposes. According to its operating agreement, Tesoro Hills, LLC, a joint venture in which the Company has an investment, has also elected to be treated as a partnership for income tax purposes. The Company and MP Securities are subject to a California LLC fee.

The Company uses a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

### ***New accounting guidance***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers”, which supersedes existing accounting standards for revenue recognition and creates a single framework. ASU 2014-09 and all subsequent amendments to the ASU (collectively “ASC 606”) requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets such as other real estate owned.. This standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The Company’s implementation efforts included a detailed review of revenue contracts within the scope of guidance and an evaluation of the impact on the Company’s revenue recognition policies. No transition-related practical expedients were applied. The Company adopted this ASU on its effective date, January 1, 2018, and it had no impact on the timing of the Company’s revenue recognition.

The majority of Company's revenues come from interest income, which is outside the scope of ASC 606. Company's revenues that are within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Revenues within the scope of ASC 606 include wealth advisory fees, investment brokerage fees, and other service and miscellaneous income.

The Company adopted ASC 606 using the modified retrospective method applied on all contracts not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles ("GAAP"). The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

## Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)." ASU 2016-02 establishes a right of use model that requires a lessee to record a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. Early adoption is permitted. Management is assessing the impact of ASU 2016-02 on its accounting and disclosures and expects this pronouncement will not have a material impact on the Company's consolidated financial position or results of operation.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The guidance requires companies to apply the requirements in the year of adoption through cumulative adjustment with some aspects of the update requiring a prospective transition approach. Management is currently evaluating the potential impact of the pending adoption of ASU 2016-13 on the consolidated financial statements.

## 2. Pledge of Cash and Restricted Cash

Some of the Company's cash may be pledged as collateral for its borrowings and is considered restricted cash. At March 31, 2018 and December 31, 2017, the Company held no pledged cash.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows (dollars in thousands):

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 11,879	\$ 9,907
Restricted cash	56	58
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>11,935</u>	<u>9,965</u>

Amounts included in restricted cash represent those required to be set aside with the Central Registration Depository ("CRD") account with FINRA as well as funds the Company has deposited with RBC Dain as clearing deposits. The CRD funds may only be used for fees charged by FINRA to maintain the membership status of the Company, as well as fees related to registered and associated persons of the Company. At March 31, 2018 and December 31, 2017, restricted cash held in the CRD account totaled \$876 and \$236, respectively. At March 31, 2018 and December 31, 2017, restricted cash held with RBC Dain totaled \$55,003 and \$57,743.

### 3. Related Party Transactions

#### *Transactions with Equity Owners*

#### *Transactions with ECCU*

Abel Pomar began serving as a member of the Company's Board of Managers in February 2016. Mr. Pomar currently serves as the President, Chief Executive Officer of ECCU.

The Company maintains a portion of its cash funds at ECCU, its largest equity investor. Total funds held with ECCU were \$907 thousand and \$1.1 million at March 31, 2018 and December 31, 2017, respectively. Interest earned on funds held with ECCU totaled \$1 thousand and \$2 thousand for the three months ended March 31, 2018 and 2017, respectively.

The Company leases physical facilities and purchase other services from ECCU pursuant to a written lease and services agreement. Rent expense of \$26 thousand during the three month periods ended March 31, 2018 and 2017 was paid to ECCU. Charges for other services purchased from ECCU were immaterial. All of these charges are included in Office Occupancy or Office Operations expense on the Company's financial statements. The method used to arrive at the periodic charge is based on the fair market value of services provided. Management believes that such method is reasonable.

Ocasionalmente, the Company purchases loan participation interests from ECCU, its largest equity owner. At March 31, 2018, the Company's investment loan participations serviced by ECCU totaled \$7.6 million, with ECCU servicing 6 of the Company's 164 loans. During the three months ended March 31, 2018 and 2017, the Company did not purchase any loans from ECCU. The Company recognized \$99 thousand and \$152 thousand of interest income during the three months ended March 31, 2018 and 2017, respectively, on its investment in loans purchased from ECCU. Loan participations the Company purchased from ECCU generally have pass-through rates which are up to 75 basis points lower than the loan's contractual rate. The Company has negotiated the pass-through interest rates with ECCU on a loan by loan basis.

On October 6, 2014, MP Securities, the Company's wholly-owned subsidiary, entered into a Networking Agreement with ECCU pursuant to which MP Securities will assign one or more registered sales representatives to one or more locations designated by ECCU and offer investment products, investment advisory services, insurance products, annuities and mutual fund investments to ECCU's members. MP Securities has agreed to offer only those investment products and services that have been approved by ECCU or its Board of Directors and comply with applicable investor suitability standards required by federal and state securities laws and regulations. MP Securities offers these products and services to ECCU members in accordance with NCUA rules and regulations and in compliance with its membership agreement with FINRA. MP Securities has agreed to compensate ECCU for permitting it to use the designated location to offer such products and services to ECCU's members under an arrangement that will entitle ECCU to be paid a percentage of total revenue received by MP Securities from transactions conducted for or on behalf of ECCU members. The Networking Agreement may be terminated by either ECCU or MP Securities without cause upon thirty days prior written notice. MP Securities paid \$4 thousand and \$9 thousand to ECCU under the terms of this agreement during the three months ended March 31, 2018 and 2017, respectively.

On April 8, 2016, the Company and ECCU entered into a Master Services Agreement (the "**Services Agreement**"), pursuant to which the Company will provide marketing, member and client services, operational and reporting services to ECCU commencing on the effective date of the Services Agreement and ending on December 31, 2016; provided, however, that unless either party provides at least thirty (30) days written notice to the other party prior to its expiration, the agreement will automatically renew for successive one year periods. The agreement was renewed on March 1, 2018 for an additional six months. Either party may terminate the Services Agreement for any reason by providing thirty (30) days prior written notice. The Company has agreed to assign a designated service representative which must be approved by ECCU in performing its duties under the Agreement. Pursuant to the terms of the Services Agreement, the Company will make visits, deliver reports, provide marketing, educational and loan related services to ECCU's members,

borrowers, leads, referral sources and contacts in the southeast region of the United States. The agreement was amended on March 1, 2018 and now includes referral fee income paid by



either party on the successful closing of a referred loan. For the three month periods ended March 31, 2018 and 2017, the Company recognized \$14 thousand during each period in income as a result of this agreement.

On October 5, 2016, the Company entered into a Successor Servicing Agreement with ECCU pursuant to which the Company has agreed to serve as the successor loan servicing agent for certain mortgage loans designated by ECCU in the event ECCU requests that the Company assume its obligation to act as the servicing agent for those loans. The term of the Agreement is for a period of three years. For the three months ended March 31, 2018 and 2017, the Company recognized \$2 thousand and \$3 thousand, respectively in income as a result of this agreement.

#### ***Transactions with ACCU***

On May 4, 2017, America's Christian Credit Union ("ACCU") acquired 12,000 Class A Units and 12,000 Series A Preferred Units of the Company's Class A Common Units and Series A Preferred Units, respectively, which represents 8.19% of the Company's issued and outstanding Class A Units and 10.25% of the Company's issued and outstanding Series A Preferred Units from Financial Partners Credit Union, a California state chartered credit union ("FPCU"). The Company's Board of Managers approved ACCU's purchase of the Membership Units from FPCU and has consented to ACCU's request to be admitted as a new member of the Company. ACCU's purchase of the Class A Units and Series A Preferred Units was consummated pursuant to a privately negotiated transaction.

On April 15, 2016, Mendell Thompson was appointed to the Company's Board of Managers. Mr. Thompson currently serves as President and Chief Executive Officer of ACCU.

Occasionally, the Company sells or purchases participation interests from ACCU. The Company sold no loans and \$1.9 million of loans to ACCU during the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and 2017, the outstanding balance of loan participations sold to ACCU was \$2.7 million and \$4.2 million, respectively.

In addition, the Company's wholly-owned subsidiary, MP Securities has a Networking Agreement with ACCU pursuant to which MP Securities will assign one or more registered sales representatives to one or more locations designated by ACCU and offer investment products, investment advisory services, insurance products, annuities and mutual fund investments to ACCU's members. MP Securities has agreed to offer only those investment products and services that have been approved by ACCU or its Board of Directors and comply with applicable investor suitability standards required by federal and state securities laws and regulations. MP Securities offers these products and services to ACCU members in accordance with NCUA rules and regulations and in compliance with its membership agreement with FINRA. MP Securities has agreed to compensate ACCU for permitting it to use the designated location to offer such products and services to ACCU's members under an arrangement that will entitle ACCU to be paid a percentage of total revenue received by MP Securities from transactions conducted for or on behalf of ACCU members. The Networking Agreement may be terminated by either ACCU or MP Securities without cause upon thirty days prior written notice. MP Securities paid \$15 thousand and \$28 thousand to ACCU under the terms of this agreement during the three months ended March 31, 2018 and 2017, respectively.

From time to time, the Company's Board and members of its executive management team have purchased investor notes from the Company or have purchased investment products through MP Securities. Investor notes payable to related parties totaled \$253 thousand \$250 thousand at March 31, 2018 and December 31, 2017.

#### ***Transactions with Other Equity Owners***

On August 14, 2013, the Company entered into a Loan Participation Agreement with Western Federal Credit Union, which has since changed its name to UNIFY Financial Credit Union ("UFCU"). UFCU is an owner of both the Company's Class A Common Units and Series A Preferred Units. Under this agreement, the Company sold UFCU a \$5.0 million loan participation interest in one of its mortgage loan interests. As part of this agreement, the Company retained the right to service the loan, and it charges UFCU 50 basis points for servicing the loan.



### ***Transactions with Subsidiaries***

The Company entered into a Managing Participating Broker Agreement (the “**MPB Agreement**”), amended effective May 24, 2017, with MP Securities pursuant to which MP Securities acted as the managing broker for the offering of its Class 1 Notes. The Class 1 Note offering expired December 31, 2017. Under the terms of a the MPB Agreement, it paid selling commissions ranging from 0.25% to a maximum of 5.50% over the life of a Class 1 Note.

Effective as of February 27, 2018, the Company commenced offering its Class 1A notes as a replacement for its Class 1 Notes. Pursuant to the terms of the Managing Broker Agreement (the “**Class 1A Notes Selling Agreement**”), MP Securities serves as the managing broker for the Company’s Class 1A Notes Offering. Under the terms of the Class 1A Notes Selling Agreement, the Company will pay MP Securities a 1.50% initial sales commission on the sale of the Company’s Class 1A Notes. MP Securities will receive an account servicing fee equal to 1% per annum of the principal balance of a Class 1A Note purchased, determined on a monthly basis, commencing one year after the purchase of a Note; subject however, to a maximum gross fee of 5.50% over the term of a Class 1A Note. The Company reserves the right to waive, reduce, or suspend payment of this account servicing fee at any time. In addition, no account servicing fee will be assessed on any Class 1A Note purchased once the total compensation paid to MP Securities resulting from the purchase of a Class 1A Note reaches 5.5%. The account servicing fee will not be assessed on any outstanding Class 1 or Class A Notes.

For each sale of a Note, the Company will pay a 0.50% processing fee on the purchase of a Class 1A Note, payable at closing of a purchase of a Note. The Company reserves the right to waive, reduce or suspend payment of the processing fee at any time.

The Company has also entered into a selling agreement with its wholly-owned subsidiary, MP Securities, pursuant to which MP Securities will sell its Series 1 Subordinated Capital Notes (the “**Subordinated Capital Notes**”) and its 2013 International Notes (the “**International Notes**”). The Company has transitioned its compensation arrangement with MP Securities to an assets under management fee that will pay MP Securities a fee equal to 1% per annum of the outstanding balances of the Subordinated Capital Notes and International Notes; subject, however, to a maximum gross dealer compensation of 2.5%. No selling commissions will be paid to MP Securities on any new sales of the Company’s Subordinated Capital Notes and International Notes. The Company reserves the right to waive, reduce, or suspend payment of the assets under management fee at any time. At no time will the compensation paid to MP Securities pursuant to an assets under management fee be assessed on a Subordinated Capital Note or International Note purchased prior to July 1, 2017 when a 2.5% commission was previously paid on the purchase transaction. In addition, no assets under management fee will be assessed on any note purchased prior to July 1, 2017 once the total compensation paid to MP Securities resulting from the purchase of such note reaches 2.5%. For each sale of a Subordinated Capital Notes and International Note, the Company will pay a 0.50% processing fee on the purchase of a note, payable at closing of a purchase of a note.

In connection with the Company’s Secured Note offering, it has engaged MP Securities to act as its managing broker for the offering. Under the terms of a Managing Broker-Dealer Agreement entered into by and between the Company and MP Securities, it will pay selling commissions ranging from 2% to a maximum of 5% on Secured Notes. The Company will also pay MP Securities a .50% processing fee on the purchase of a Secured Note. Pursuant to a Loan and Security Agreement, dated December 15, 2014, entered into by and among the Company, MPF and the holders of its Secured Notes (the “**Loan Agreement**”), MPF serves as the collateral agent for the Company’s Secured Notes. The Company will pledge and deliver mortgage loans and cash to MPF to serve as collateral for the Secured Notes. As custodian and collateral agent for the Secured Notes, MPF will monitor the Company’s compliance with the terms of the Loan Agreement, take possession of, hold, operate, manage or sell the collateral conveyed to MPF for the benefit of the Secured Note holders. MPF is further authorized to pursue any remedy at law or in equity after an event of default occurs under the Loan Agreement.

The Company’s Secured Note Offering terminated effective on December 31, 2017. On April 30, 2018, the Company launched a new secured note offering of up to \$80 million of its Secured Notes

to replace its previous Secured Note Offering. The Company also entered into a Selling Agreement with MP Securities (the “**Secured Notes Selling Agreement**”) effective as of April 30, 2018, pursuant to which the Company has appointed MP Securities as its selling agent to market and distribute the Secured Notes. Under the terms of the Secured Notes Selling Agreement, MP Securities will receive an assets under management fee equal to 1% of the principal balance

of the Secured Notes that are issued and outstanding, payable on a monthly basis. In addition, the Company will pay MP Securities a 0.50% processing fee of the total amount of Secured Notes purchased, payable at the closing of such purchase.

The Company has also signed an Administrative Services Agreement with MP Securities which stipulates that it will provide certain services to MP Securities. This agreement was updated in November 2017 and February of 2018. These services include the lease of office space, use of equipment, including computers and phones, and payroll and personnel services. The February 2018 amendment was updated to include an annual servicing fee of \$250 thousand to be paid to MP Securities on a quarterly basis in 2018. In exchange for providing these services, MP Securities will provide ministerial, compliance, marketing, operational and investor relations related services regarding the Company's investor note program. In December 2016, the Board authorized the officers of the Company to waive and abate MP Securities' obligation to pay the Company for these services for a limited period of time not to exceed twelve months and subject to a maximum expense abatement of \$250 thousand. The expense abatement authorization agreement was not renewed at expiration in November of 2017. Under this abatement agreement, no abatements had been requested by MP Securities or made by the Company.

To assist in evaluating any related transactions the Company may enter into with a related party, the Board has adopted a Related Party Transaction Policy. Under this policy, a majority of the members of the Company's Board and majority of its independent Board members must approve a material transaction that it enters into with a related party. As a result, all transactions that the Company undertakes with an affiliate or related party are on terms believed by its management to be no less favorable than are available from unaffiliated third parties and are approved by a majority of its independent Board members.

#### 4. Loans Receivable and Allowance for Loan Losses

The Company's loan portfolio is comprised of one segment – church loans. The loans fall into four classes, which include wholly-owned loans for which the Company possesses the first collateral position, wholly-owned loans that are either unsecured or for which the Company possesses a junior collateral position, participated loans purchased for which the Company possesses the first collateral position, and participated loans purchased for which the Company possesses a junior collateral position. See "Note 1 – Loan Portfolio Segments and Classes" to Part I "Financial Information" of this Report.

All of our loans are made to various evangelical churches and related organizations, primarily to purchase, construct or improve facilities. Loan maturities extend through 2027. Loans yielded a weighted average of 6.35% and 6.31% as of March 31, 2018 and December 31, 2017, respectively. A summary of the Company's mortgage loans owned as of March 31, 2018 and December 31, 2017 is as follows (dollars in thousands):

	March 31, 2018	December 31 2017
<b>Loans to evangelical churches and related organizations:</b>		
Real estate secured	\$ 148,110	\$ 151,214
Unsecured	269	1,500
Total loans	148,379	152,714
Deferred loan fees, net	(862)	(911)
Loan discount	(865)	(871)
Allowance for loan losses	(2,160)	(2,097)
Loans, net	<u>\$ 144,492</u>	<u>\$ 148,835</u>



### *Allowance for Loan Losses*

The Company has established an allowance for loan losses of \$2.2 million as of March 31, 2018 and December 31, 2017 for loans held in its mortgage portfolio. For the three months ended March 31, 2018 and the year ended December 31, 2017 recorded no charge-offs and \$40 thousand in charge-offs on its mortgage loan investments, respectively. Management believes that the allowance for loan losses as of March 31, 2018 and December 31, 2017 is appropriate.

Changes in the allowance for loan losses for the three months ended March 31, 2018 and the year ended December 31, 2017 are as follows (dollars in thousands):

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 2,097	\$ 1,875
Provision for loan loss	63	262
Chargeoffs	--	(40)
Balance, end of period	<u>\$ 2,160</u>	<u>\$ 2,097</u>

Loans by portfolio segment (church loans) and the related allowance for loan losses are presented below. Loans and the allowance for loan losses are further segregated by impairment methodology (dollars in thousands).

#### *Loans and Allowance for Loan Losses (by segment)* *As of*

	March 31, 2018	December 31, 2017
Loans:		
Individually evaluated for impairment	\$ 9,102	\$ 9,255
Collectively evaluated for impairment	139,277	143,459
Balance	<u>\$ 148,379</u>	<u>\$ 152,714</u>
Allowance for loan losses:		
Individually evaluated for impairment	\$ 1,293	\$ 1,260
Collectively evaluated for impairment	867	837
Balance	<u>\$ 2,160</u>	<u>\$ 2,097</u>

The Company has established a standard loan grading system to assist management and loan review personnel in their analysis and supervision of the loan portfolio. The following table is a summary of the loan portfolio credit quality indicators by loan class at March 31, 2018 and December 31, 2017, which is the date on which the information was updated for each credit quality indicator (dollars in thousands):

***Credit Quality Indicators (by class)***

***As of March 31, 2018***

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
<b>Grade:</b>					
Pass	\$ 111,067	\$ 3,987	\$ 7,891	\$ --	\$ 122,945
Watch	16,123	--	209	--	16,332
Special mention	3,100	--	--	--	3,100
Substandard	5,808	194	--	--	6,002
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
<b>Total</b>	<b>\$ 136,098</b>	<b>\$ 4,181</b>	<b>\$ 8,100</b>	<b>\$ --</b>	<b>\$ 148,379</b>

***Credit Quality Indicators (by class)***

***As of December 31, 2017***

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
<b>Grade:</b>					
Pass	\$ 115,422	5,269	9,474	--	\$ 130,165
Watch	13,082	--	212	--	13,294
Special mention	3,152	--	--	--	3,152
Substandard	5,907	196	--	--	6,103
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
<b>Total</b>	<b>\$ 137,563</b>	<b>\$ 5,465</b>	<b>\$ 9,686</b>	<b>\$ --</b>	<b>\$ 152,714</b>



The following table sets forth certain information with respect to the Company's loan portfolio delinquencies by loan class and amount at March 31, 2018 and December 31, 2017 (dollars in thousands):

**Age Analysis of Past Due Loans (by class)**  
**As of March 31, 2018**

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ 6,279	\$ --	\$ 2,810	\$ 9,089	\$ 127,009	\$ 136,098	\$ --
Wholly- Owned Junior	194	--	--	194	3,987	4,181	--
Participation First	--	--	--	--	8,100	8,100	--
Participation Junior	--	--	--	--	--	--	--
Total	<u>\$ 6,473</u>	<u>\$ --</u>	<u>\$ 2,810</u>	<u>\$ 9,283</u>	<u>\$ 139,096</u>	<u>\$ 148,379</u>	<u>\$ --</u>

**Age Analysis of Past Due Loans (by class)**  
**As of December 31, 2017**

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ --	3,521	1,587	\$ 5,108	\$ 132,455	\$ 137,563	\$ --
Wholly- Owned Junior	--	196	--	196	5,269	5,465	--
Participation First	--	--	--	--	9,686	9,686	--
Participation Junior	--	--	--	--	--	--	--
Total	<u>\$ --</u>	<u>\$ 3,717</u>	<u>\$ 1,587</u>	<u>\$ 5,304</u>	<u>\$ 147,410</u>	<u>\$ 152,714</u>	<u>\$ --</u>

**Non-Performing Loans**

Non-performing loans include non-accrual loans, loans 90 days or more past due and still accruing, and restructured loans. Non-accrual loans represent loans on which interest accruals have been discontinued. Restructured loans are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress. Non-performing loans are closely monitored on an ongoing basis as part of management's loan review and work-out process. The potential risk of loss on these loans is evaluated by comparing the loan balance to the fair value of any underlying collateral or the present value of projected future cash flows.



The following tables are summaries of impaired loans by loan class as of three months ended March 31, 2018 and 2017, and the year ended December 31, 2017, respectively. The unpaid principal balance reflects the contractual principal outstanding on the loan less interest payments recorded against principal on collateral-dependent loans. The net loan principal balance reflects the unpaid principal balance less specific allowances recorded against impaired loans. The net recorded investment in impaired loans reflects the loan principal balance less discounts (dollars in thousands):

**Impaired Loans (by class)**  
**As of March 31, 2018**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 4,876	\$ --	\$ 4,876	\$ 443	\$ 4,433
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	6,758	1,293	5,465	294	5,171
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,850</u>	<u>\$ 1,293</u>	<u>\$ 10,557</u>	<u>\$ 748</u>	<u>\$ 9,809</u>

**For the three months ended March 31, 2018**

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 4,885	\$ 24
Wholly-Owned Junior	216	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	6,763	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	<u>\$ 11,864</u>	<u>\$ 24</u>



**Impaired Loans (by class)**  
**As of December 31, 2017**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 6,395	\$ --	\$ 6,395	\$ 443	\$ 5,952
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	5,271	1,260	4,011	319	3,692
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,882</u>	<u>\$ 1,260</u>	<u>\$ 10,622</u>	<u>\$ 773</u>	<u>\$ 9,849</u>

**For the year ended December 31, 2017**

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 4,703	\$ --
Wholly-Owned Junior	200	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	4,163	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	<u>\$ 9,067</u>	<u>\$ --</u>

**Impaired Loans (by class)**  
**As of March 31, 2017**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 4,267	\$ --	\$ 4,267	\$ 425	\$ 3,842
Wholly-Owned Junior	202	--	202	11	191
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	4,256	1,072	3,184	319	2,865
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 8,725</u>	<u>\$ 1,072</u>	<u>\$ 7,653</u>	<u>\$ 756</u>	<u>\$ 6,898</u>

**For the three months ended March 31, 2017**

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 3,880	\$ --
Wholly-Owned Junior	192	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	3,972	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	<u>\$ 8,045</u>	<u>\$ --</u>

A summary of nonaccrual loans by loan class at March 31, 2018 and December 31, 2017 is as follows (dollars in thousands):

*Loans on Nonaccrual Status (by class)  
As of March 31, 2018*

Church loans:	
Wholly-Owned First	\$ 8,013
Wholly-Owned Junior	194
Participation First	--
Participation Junior	--
<b>Total</b>	<b>\$ 8,207</b>

*Loans on Nonaccrual Status (by class)  
As of December 31, 2017*

Church loans:	
Wholly-Owned First	\$ 8,167
Wholly-Owned Junior	196
Participation First	--
Participation Junior	--
<b>Total</b>	<b>\$ 8,363</b>

The Company restructured no loans during each of the three month periods ended March 31, 2018 and 2017.

The Company had five restructured loans that were past maturity as of December 31, 2017. For each of these loans, the Company has entered into forbearance agreements with the borrowers and is evaluating what actions it should undertake to restructure these mortgage loans and protect its investment in these loans.

Loans modified in a troubled debt restructuring are closely monitored for delinquency as an early indicator for future default. If loans modified in a troubled debt restructuring subsequently default, management evaluates such loans for potential further impairment. As a result of this evaluation, specific reserves may be increased or adjustments may be made in the allocation of reserves.

As of March 31, 2018, no additional funds were committed to be advanced in connection with loans modified as troubled debt restructurings.

## 5. Investments in Joint Venture

In December 2015, the Company finalized an agreement with Intertex Property Management, Inc., a California corporation, to enter into a joint venture to form Tesoro Hills, LLC (the “**Valencia Hills Project**”), a company that will develop and market property formerly classified by the Company as a foreclosed asset. In January 2016, the Company transferred ownership in the foreclosed asset to the Valencia Hills Project as part of the agreement and reclassified the carrying value of the property from foreclosed assets to investments in joint venture. The Company’s initial investment in the joint venture was \$900 thousand, which was equal to its carrying value in the foreclosed asset at December 31, 2015.

The joint venture incurred \$0 and \$1 thousand in losses for the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and December 31, 2017, the value of the Company’s investment in the property is \$896 thousand and \$896, respectively. Management has conducted an evaluation of the investment as of March 31, 2018 and has determined that the investment is not impaired.





## 6. Revenue Recognition

Pursuant to the adoption of ASU 2014-09, the following disclosures discuss the Company's revenue recognition accounting policies. The Company recognizes two primary types of revenue: interest income and noninterest income.

### *Interest Income*

The Company's principal source of revenue is interest income from loans, which is recognized on an accrual basis using the effective interest method. Interest income is not within the scope of ASC Topic 606, Revenues from Contracts with Customers.

### *Noninterest Income*

Noninterest income includes revenue from various types of transactions and services provided to customers. The following tables reflect the Company's noninterest income disaggregated by financial statement line item. Items outside of scope of ASC 606 are noted as such. The commentary following the tables describes the nature, amount, and timing of the related revenue streams (dollars in thousands):

	Three months ended March 31,	
	<u>2018</u>	<u>2017</u>
Non-interest income		
Wealth advisory fees	\$ 49	\$ 37
Investment brokerage fees	106	109
Lending fees (1)	41	130
Other non-interest income	29	18
Total non-interest income	<u>\$ 225</u>	<u>\$ 294</u>

(1) Not within scope of ASC 606

The following is a description of principal activities from which the Company generates non-interest income revenue. Revenues are recognized as the Company satisfies its obligations with our clients, service partners and borrowers, in an amount that reflects the consideration that we expect to receive in exchange for those services.

### *Wealth advisory fees*

Wealth advisory fees are generally recognized over time as services are rendered and are based on either a percentage of the market value of the assets under management, or fixed based on the services provided to the client. The Company's execution of these services represents its related performance obligations. Fees are calculated quarterly and are usually collected at the beginning of the period from the client's account and recognized ratably over the related billing period.

### *Investment brokerage fees*

Investment brokerage fees arise from selling and distribution services, and trade execution services. The Company's execution of these services represents its related performance obligations.

The Company also offers selling and distribution services and earns commissions through the sale of annuity and mutual fund products. The Company acts as an agent in these transactions and recognizes revenue at a point in time when the customer executes a contract with a product carrier. The Company may also receive trailing commissions and 12b-1 fees related to mutual fund and annuity products, and recognizes this revenue in the period that they are realized since the revenue cannot be accurately predicted at the time the policy becomes effective.



Trade execution commissions are earned and recognized on the trade date, when the Company executes a trade for a customer. Payment for the trade execution is due on the settlement date.

## 7. Loan Participation Sales

During the three months ended March 31, 2018, the Company sold no participations in church loans. During the year ended December 31, 2017, the Company sold participations in 6 church loans totaling \$9.7 million. As a result of these sales, the Company recorded servicing assets totaling \$203 thousand. Servicing assets are amortized using the interest method as an adjustment to servicing fee income. Amortization totaled \$19 thousand and \$20 thousand for the three months ended March 31, 2018 and 2017.

A summary of servicing assets for the three months ended three months ended March 31, 2018 and 2017, and the year ended December 31, 2017 is as follows (dollars in thousands):

	For the three months ended		For the year
	March 31,	2017	ended
	2018		December 31,
			2017
Balance, beginning of period	\$ 270	\$ 258	\$ 258
Additions:			
Servicing obligations from sale of loan participations	--	118	203
Subtractions:			
Amortization	(19)	(20)	(191)
Balance, end of period	\$ 251	\$ 356	\$ 270

## 8. Premises and Equipment

Premises and equipment consist of the following at March 31, 2018 and December 31, 2017 (dollars in thousands):

	As of March 31,	As of December 31,
	2018	2017
Furniture and office equipment	\$ 486	\$ 486
Computer system	222	222
Leasehold improvements	25	25
Total premises and equipment	733	733
Less accumulated depreciation and amortization	(638)	(630)
Premises and equipment, net	\$ 95	\$ 103

Depreciation and amortization expense for the three months ended March 31, 2018 and 2017 amounted to \$8 thousand and \$7 thousand, respectively.

## 9. NCUA Credit Facilities

### *Items Applicable to Each NCUA Credit Facility*

On November 4, 2011, the Company and the National Credit Union Administration Board As Liquidating Agent of Members United Corporate Federal Credit Union (“**Lender**”) entered into an \$87.3 million credit facility refinancing transaction (the “**MU Credit Facility**”).

Also on November 4, 2011, the Company and the National Credit Union Administration Board As Liquidating Agent of Western Corporate Federal Credit Union (previously herein defined as

**“Lender”**) entered into a \$23.5 million credit facility refinancing transaction (the **“WesCorp Credit Facility Extension”**).

Accrued interest is due and payable monthly in arrears on both facilities on the first day of each month at the lesser of the maximum interest rate permitted by applicable law under the loan documents or 2.525%. The term loan may be repaid or retired without penalty, but any amounts repaid or prepaid under the facilities may not be re-borrowed. The facilities mature on November 1, 2026, at which point the final principal payment will be due.

Future principal contractual payments of the Company's borrowings from financial institutions during the twelve month periods ending March 31 are as follows (dollars in thousands):

2019	\$ 4,977
2020	5,105
2021	5,240
2022	5,374
2023	5,511
Thereafter	54,058
	<u>\$ 80,265</u>

The NCUA credit facilities include a number of borrower covenants, including affirmative covenants to maintain the collateral free of liens, to timely pay the amounts due on the facility, to provide the Lender with interim or annual financial statements and annual and periodic reports filed with the U.S. Securities and Exchange Commission and maintain a minimum collateralization ratio of at least 110% (120% for the MU Credit Facility and WesCorp Facility combined). If at any time the Company fails to maintain its required minimum collateralization ratio, it will be required to deliver cash or qualifying mortgage loans in an amount sufficient to enable us to meet its obligation to maintain a minimum collateralization ratio. In total, the collateral securing both facilities at March 31, 2018 and December 31, 2017 satisfied the 120% minimum. In addition, the collateral securing both facilities at March 31, 2018 and December 31, 2017 separately satisfied the 110% minimum required collateralization ratio.

The NCUA credit facilities also include covenants which prevent the Company from renewing or extending a loan pledged as collateral under these facilities unless certain conditions have been met and requires the borrower to deliver current financial statements to the Company. Under the terms of the facilities, the Company has established two separate lockboxes for each facility maintained for the benefit of Lender that will receive all payments made by collateral obligors. The Company's obligation to repay the outstanding balance on this facility may be accelerated upon the occurrence of an "Event of Default" as defined in the NCUA credit facilities. Such Events of Default include, among others, failure to make timely payments due under the NCUA credit facilities and the Company's breach of any of its covenants. As of March 31, 2018 and December 31, 2017, respectively, the Company was in compliance with its covenants under each of the NCUA credit facilities.

#### ***Members United Facility***

The balance of the MU Credit Facility was \$62.4 million and \$63.4 million at March 31, 2018 and December 31, 2017, respectively. The required minimum monthly payment is \$450 thousand.

At March 31, 2018 and December 31, 2017, the collateral securing the MU Credit Facility had an aggregate principal balance of \$72.7 million and \$71.7 million, respectively. The collateral securing the MU Credit Facility at March 31, 2018 and December 31, 2017 satisfied the 110% minimum required collateralization ratio.

#### ***WesCorp Facility***

As of March 31, 2018 and December 31, 2017, \$17.9 million and \$18.1 million, respectively, was outstanding on the WesCorp Credit Facility Extension. The required minimum monthly payment is \$129 thousand.

As of March 31, 2018 and December 31, 2017, the collateral securing the WesCorp Credit Facility Extension had an aggregate principal balance of \$24.9 million and \$26.9 million, respectively. The collateral securing the WesCorp Credit Facility Extension at March 31, 2018 and December 31, 2017 satisfied the 110% minimum collateralization ratio required by the amended agreement.

## 10. Notes Payable

### SEC Registered Public Offerings

Notes payable comprised unsecured and secured notes totaling \$59.2 million and \$9.1 million, respectively, at March 31, 2018. Notes payable comprised of unsecured and secured notes totaling \$59.3 million and \$9.8 million, respectively, at December 31, 2017. The notes are payable to investors who have purchased the securities, including individuals, churches, and Christian ministries, many of whom are members of ECCU or ACCU. Notes pay interest at stated spreads over an index rate that is adjusted every month. Interest can be reinvested or paid at the investor's option. The Company may repurchase all or a portion of notes at any time at its sole discretion, and may allow investors to redeem their notes prior to maturity at its sole discretion.

**Class A Offering.** In April 2008, the Company registered with the SEC its Class A Notes. The Class A Note Offering expired on December 31, 2015 and the Company discontinued the sale of its Class A Notes. The offering included three categories of notes, including a fixed interest note, a variable interest note, and a flex note, which allows borrowers to increase their interest rate once a year with certain limitations. The Class A Notes contained restrictive covenants pertaining to paying dividends, making redemptions, acquiring, purchasing or making certain payments, requiring the maintenance of minimum tangible net worth, limitations on the issuance of additional notes and incurring of indebtedness. The Company was in compliance with these covenants as of March 31, 2018 and December 31, 2017. The Class A Notes were issued under a Trust Indenture between the Company and U.S. Bank National Association (“**US Bank**”). At March 31, 2018 and December 31, 2017, \$11.7 million and \$12.3 million of these notes were outstanding, respectively.

**Class 1 Offering.** In January 2015, the Company registered with the SEC its Class 1 Notes. The Class 1 Note Offering expired on December 31, 2017 and the Company discontinued the sale of its Class 1 Notes at that time. The offering included two categories of notes, including a fixed interest note and a variable interest note. The Class 1 Notes contain restrictive covenants pertaining to paying dividends, making redemptions, acquiring, purchasing or making certain payments, requiring the maintenance of minimum tangible net worth, limitations on the issuance of additional notes and incurring of indebtedness. The Company was in compliance with these covenants as of March 31, 2018 and December 31, 2017. The Class 1 Notes were issued under a Trust Indenture between the Company and U.S. Bank. At March 31, 2018 and December 31, 2017, \$37.0 million and \$39.7 million of Class 1 Notes were outstanding, respectively.

**Class 1A Offering.** In February 2018, the Company launched its Class 1A Notes Offering. The Company registered \$90 million of its Class 1A Notes in two series – fixed and variable notes and the Company's Registration Statement was declared effective on February 27, 2018. The Class 1A Notes are unsecured. The interest rate paid on the Fixed Series Notes is determined in reference to a Constant Maturity Treasury Index published by the U.S. Department of Treasury (“**CMT Index**”) in effect on the date that the note is issued plus a rate spread as described in the Company's Class 1A Prospectus. The interest rate paid on a Variable Series Note is determined by reference to the variable index in effect on the date the interest rate is set. The CMT Index is determined by the Constant Maturity Treasury rates published by the U.S. Department of Treasury for actively traded Treasury securities. The variable index is equal to the 3-month LIBOR rate. The Class 1A Notes will be issued under a Trust Indenture entered into between the Company and U.S. Bank. At March 31, 2018, \$0.4 million of the Company's Class 1A Notes were outstanding.

### Private Offerings

**Secured Investment Certificates (“Secured Notes”).** In January 2015, the Company began offering Secured Notes under a new private placement memorandum pursuant to the requirements of Rule 506 of Regulation D. Under this offering, the Company may sell up to \$80.0 million in Secured Notes to qualified investors. The Notes require as collateral either cash pledged in the amount of 100% of the outstanding balance of the Notes or loans receivable pledged in the amount of 105% of the outstanding balance of the Notes. At March 31, 2018 and December 31, 2017, a total of \$9.1 million and \$9.8 million in Secured Notes were outstanding. At March 31, 2018 and December 31, 2017, the collateral securing the Secured Notes had an outstanding balance of \$10.8 million and \$10.9 million,

respectively. The March 31, 2018 and December 31, 2017 collateral balance was sufficient to satisfy the minimum collateral requirement of the Secured Notes offering. As of March 31, 2018 and December 31, 2017,



no cash was pledged in regards to the Secured Notes. The Company's 2015 Secured Note offering terminated on December 31, 2017. Effective as of April 30, 2018, the Company launched a new \$80 million secured note offering. The 2018 Secured Note offering will be issued pursuant to a Loan and Security Agreement and it will include the same terms and conditions previously set forth in its 2015 Secured Note offering.

**Series 1 Subordinated Capital Notes ("Subordinated Notes").** In February 2013, the Company launched the sale of its Subordinated Notes pursuant to a limited private offering to qualified investors that meets the requirements of Rule 506 of Regulation D. The Subordinated Notes have been offered with maturity terms from 12 to 60 months at an interest rate fixed on the date of issuance, as determined by the then current seven-day average rate reported by the U.S. Federal Reserve Board for interest rate swaps. At March 31, 2018 and December 31, 2017, a total of \$9.9 million and \$6.8 million respectively in notes sold pursuant to this offering were outstanding.

Under the Subordinated Notes offering, the Company is subject to certain covenants, including limitations on restricted payments, limitations on the amount of notes that can be sold, restrictions on mergers and acquisitions, and proper maintenance of books and records. The Company was in compliance with these covenants at March 31, 2018 and December 31, 2017.

**Special Offering Notes.** Special Offering Notes are unsecured general obligation notes having various terms we have issued over the past several years to ministries, ministry-related organizations, and individuals. Except for a small number of investors (in total not exceeding 35 individuals), the holders of these Notes are accredited investors within the meaning of Regulation D under the 1933 Securities Act. We may continue to sell our debt securities to eligible investors on an individual, negotiated basis as we deem appropriate and in compliance with exemptions from registration or qualifications under federal and applicable state securities laws. At March 31, 2018 and December 31, 2017, a total of \$114 thousand and \$473 thousand respectively in notes sold pursuant to this offering were outstanding.

The Company has the following notes payable at March 31, 2018 (dollars in thousands):

SEC Registered Public Offerings	Amount	Weighted Average Interest Rate
Class A Offering	\$ 11,715	4.05 %
Class 1 Offering	37,014	3.77 %
Class 1A Offering	400	5.88
<b>Private Offerings</b>		
Special Offering	114	3.35 %
Special Subordinated Notes	9,933	4.63 %
Secured Notes	9,124	3.77 %
Total	\$ 68,300	3.55 %

Future maturities for the Company's investor notes during the twelve month periods ending March 31 are as follows (dollars in thousands):

2019	\$ 17,227
2020	15,120
2021	16,749
2022	14,343
2023	4,156
Thereafter	705
	\$ 68,300

Debt issuance costs related to the Company's notes payable were \$72 thousand and \$85 thousand at March 31, 2018 and December 31, 2017, respectively.



## 11. Commitments and Contingencies

### *Unfunded Commitments*

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include un-advanced lines of credit, and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. At March 31, 2018 and December 31, 2017, the following financial instruments were outstanding whose contract amounts represent credit risk (dollars in thousands):

	<b>Contract Amount at:</b>	
	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Undisbursed loans	\$ 889	\$ 1,199
Standby letter of credit	\$ 384	\$ 384

Undisbursed loans are commitments for possible future extensions of credit to existing customers. These loans are sometimes unsecured and may not necessarily be drawn upon to the total extent to which the Company is committed. Commitments to extend credit are generally at variable rates.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

### *Contingencies*

In the normal course of business, the Company may become involved in various legal proceedings. As of March 31, 2018, the Company is a defendant in a wrongful termination of employment lawsuit. The Company is contesting the claim and at March 31, 2018, the Company's liabilities include an accrual of \$30 thousand for litigation related expenses incurred in connection with this claim. Although the Company believes that it will prevail on the merits, the litigation could have a lengthy process, and the ultimate outcome cannot be predicted.

### *Operating Lease Commitments*

The Company has lease commitments covering its offices in Brea and Fresno, California. At March 31, 2018, future minimum rental payments for the twelve months ending March 31 are as follows:

2019	\$ 118
2020	27
Thereafter	--
Total	<u>\$ 145</u>

Total rent expense, including common area costs, was \$36 thousand and \$35 thousand for the three months ended March 31, 2018 and 2017, respectively. The Brea office lease expires in 2018 and contains one additional option to renew for five years.

The Fresno office lease is scheduled to expire in 2020. There are no options to renew in the lease extension.



## 12. Preferred and Common Units Under LLC Structure

The Series A Preferred Units are entitled to receive a quarterly cash dividend that is 25 basis points higher than the one-year LIBOR rate in effect on the last day of the calendar month for which the preferred return is approved. The Company has also agreed to set aside an annual amount equal to 10% of its net profits earned for any year, after subtracting from profits the quarterly Series A Preferred Unit dividends paid, for distribution to its Series A Preferred Unit holders.

The Series A Preferred Units have a liquidation preference of \$100 per unit; have no voting rights; and are subject to redemption in whole or in part at the Company's election on December 31 of any year, for an amount equal to the liquidation preference of each unit, plus any accrued and declared but unpaid quarterly dividends and preferred distributions on such units. The Series A Preferred Units have priority as to earnings and distributions over the Common Units. The resale of the Company's Series A Preferred Units and Common Units are subject to the Company's first right of refusal to purchase units proposed to be transferred. Upon the Company's failure to pay a quarterly dividends for four consecutive quarters, the holders of the Series A Preferred Units have the right to appoint two managers to its Board of Managers.

The Class A Common Units have voting rights, but have no liquidation preference or rights to dividends, unless declared.

## 13. Retirement Plans

### *401(k)*

All of the Company's employees are eligible to participate in the Automated Data Processing, Inc. ("ADP") 401(k) plan effective as of the date their employment commences. No minimum service is required and the minimum age is 21. Each employee may elect voluntary contributions not to exceed 86% of salary, subject to certain limits based on U.S. tax law. The plan has a matching program, which qualifies as a Safe Harbor 401(k) plan. As a Safe Harbor Section 401(k) plan, the Company matches each eligible employee's contribution, dollar for dollar, up to 3% of the employee's compensation, and 50% of the employee's contribution that exceeds 3% of their compensation, up to a maximum contribution of 5% of the employee's compensation. Company matching contributions for the three months ended March 31, 2018 and 2017 were \$28 thousand and \$26 thousand, respectively.

### *Profit Sharing*

The profit sharing plan is for all employees who, at the end of the calendar year, are at least 21 years old, still employed, and have at least 900 hours of service during the plan year. The amount annually contributed on behalf of each qualified employee is determined by the Company's Board of Managers and is calculated as a percentage of the eligible employee's annual earnings. Plan forfeitures are used to reduce the Company's annual contribution. The Company made no profit sharing contributions for the plan during the year ended December 31, 2017. No profit sharing contribution has been made or approved for the three months ended March 31, 2018.

## 14. Fair Value Measurements

### *Fair Value Measurements Using Fair Value Hierarchy*

Measurements of fair value are classified within a hierarchy based upon inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are

observable for the asset or liability (such as interest rates, prepayment speeds, credit risks, etc.), or inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

- Level 3 inputs are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

### *Fair Value of Financial Instruments*

The carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2018 and December 31, 2017, are as follows (dollars in thousands):

Fair Value Measurements at March 31, 2018 using						
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		Fair Value
<b>FINANCIAL ASSETS:</b>						
Cash	\$ 11,879	\$ 11,879	\$	\$ --		\$ 11,879
Loans, net	144,492			142,398		142,398
Investments in joint venture	896			896		896
Accrued interest receivable	726			725		725
<b>FINANCIAL LIABILITIES:</b>						
NCUA borrowings	\$ 80,265	\$	\$	\$ 74,628		\$ 74,628
Notes payable	68,228			68,246		68,246
Other financial liabilities	290			290		290

Fair Value Measurements at December 31, 2017 using						
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		Fair Value
<b>FINANCIAL ASSETS:</b>						
Cash	\$ 9,907	\$ 9,907	\$ --	\$ --		\$ 9,907
Loans, net	148,835	--	--	146,732		146,732
Investments in joint venture	896	--	--	896		896
Accrued interest receivable	742	--	--	742		742
<b>FINANCIAL LIABILITIES:</b>						
NCUA borrowings	\$ 81,492	\$ --	\$ --	\$ 76,945		\$ 76,945

Notes payable	69,003	--	--	69,264	69,264
Other financial liabilities	346	--	--	346	346

Management uses judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at March 31, 2018 and December 31, 2017.



The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash – The carrying amounts reported in the balance sheets approximate fair value for cash.

Loans – Fair value is estimated by discounting the future cash flows using the current average rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Investments – Fair value is estimated by analyzing the operations and marketability of the underlying investment to determine if the investment is other-than-temporarily impaired.

Notes Payable – The fair value of fixed maturity notes is estimated by discounting the future cash flows using the rates currently offered for notes payable of similar remaining maturities. The discount rate is estimated by Company management by using market rates which reflect the interest rate risk inherent in the notes.

NCUA Borrowings – The fair value of borrowings from financial institutions are estimated using discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. The discount rate is estimated by Company management using market rates which reflect the interest rate risk inherent in the notes.

Off-Balance Sheet Instruments – The fair value of loan commitments is based on fees currently charged to enter into similar agreements, taking into account the remaining term of the agreements and the counterparties' credit standing. The fair value of loan commitments is insignificant at March 31, 2018 and December 31, 2017.

***Fair Value Measured on a Nonrecurring Basis***

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents such assets carried on the balance sheet by caption and by level within the valuation hierarchy (dollars in thousands):

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets at March 31, 2018:				
Collateral dependent loans (net of allowance and discount)	\$	\$	\$ 5,992	\$ 5,992
Investments in joint venture			896	896
<b>Total</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 6,888</b>	<b>\$ 6,888</b>

Assets at December 31,  
2017:

Collateral dependent loans (net of allowance and discount)	\$	--	\$	--	\$ 6,135	\$ 6,135
Investments in joint venture		--		--	896	896
<b>Total</b>	<b>\$</b>	<b>--</b>	<b>\$</b>	<b>--</b>	<b>\$ 7,031</b>	<b>\$ 7,031</b>



Activity in Level 3 assets is as follows for the three months ended March 31, 2018 and for the year ended December 31, 2017 (dollars in thousands):

	Impaired loans (net of allowance and discount)	
Balance, December 31, 2017	\$	6,135
Allowance and discount, net of discount amortization		(37)
Loan payments and payoffs		(106)
Balance, March 31, 2018	\$	<u>5,992</u>

	Investments in joint venture (net of allowance and discount)	
Balance, December 31, 2017	\$	896
Pro rata share of joint venture losses		--
Balance, March 31, 2018	\$	<u>896</u>

	Impaired loans (net of allowance and discount)	
Balance, December 31, 2016	\$	4,736
Re-classifications of assets from Level 3 into Level 2		1,253
Allowance and discount, net of discount amortization		(500)
Loans that became impaired		1,495
Loan payments and payoffs		(849)
Balance, December 31, 2017	\$	<u>6,135</u>

	Investments in joint venture (net of allowance and discount)	
Balance, December 31, 2016	\$	892
Pro rata share of joint venture income		4
Balance, December 31, 2017	\$	<u>896</u>

### ***Impaired Loans***

Collateral-dependent impaired loans are carried at the fair value of the collateral less estimated costs to sell, incorporating assumptions that experienced parties might use in estimating the value of such collateral. The fair value of collateral is determined based on appraisals. In some cases, adjustments were made to the appraised values for various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When significant adjustments were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement. Otherwise, collateral-dependent impaired loans are categorized under Level 2.

The valuation methodologies used to measure the fair value adjustments for Level 3 assets recorded at fair value on a nonrecurring basis at March 31, 2018 and December 31, 2017 are summarized below (dollars in thousands):

Assets	Fair Value (in thousands)	March 31, 2018		
		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired Loans	\$ 5,992	Discounted appraised value	Selling cost / Estimated market decrease	25% - 58% (35%)
Investments in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (0%)

Assets	Fair Value (in thousands)	December 31, 2017		
		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired Loans	\$ 6,135	Discounted appraised value	Selling cost / Estimated market decrease	25% -58% (38%)
Investment in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (0%)

## 15. Income Taxes and State LLC Fees

MPIC is subject to a California gross receipts LLC fee of approximately \$12,000 per year. MP Securities was subject to a California gross receipts LLC fee of approximately \$6,400 for the year ended December 31, 2017. MP Realty incurred a tax loss for the years ended December 31, 2017 and 2016, and recorded a provision of \$800 per year for the state minimum franchise tax.

For the years ended December 31, 2017 and 2016, MP Realty has federal and state net operating loss carryforwards of approximately \$407 thousand and \$402 thousand, respectively which begin to expire in 2030. Management assessed the realizability of the deferred tax asset and determined that a 100% valuation against the deferred tax asset was appropriate at December 31, 2017 and 2016.

Tax years ended December 31, 2014 through December 31, 2017 remain subject to examination by the Internal Revenue Service and the tax years ended December 31, 2013 through December 31, 2017 remain subject to examination by the California Franchise Tax Board.

## 16. Segment Information

### *Reportable Segments*

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different management, personnel proficiencies, and marketing strategies.

There are two reportable segments: finance company (the parent company) and broker-dealer (MP Securities). The finance company segment uses funds from the sale of debt securities, operations, and loan participations to originate or purchase mortgage loans. The broker-dealer segment sells debt securities and other investment products, as well as providing investment advisory services, to generate fee income.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. Intersegment revenues and expenses are accounted

for at amounts that assume the transactions were made to unrelated third parties at the current market prices at the time of the transactions.

Management evaluates the performance of each segment based on net income or loss before provision for income taxes and LLC fees.

Financial information with respect to the reportable segments for the three months ended March 31, 2018 is as follows (dollars in thousands):

	Finance Company	Broker Dealer	Total
External income	\$ 2,409	\$ 157	\$ 2,566
Intersegment revenue	--	131	131
External non-interest expenses	975	283	1,258
Intersegment non-interest expenses	--	--	--
Segment net profit (loss)	(18)	5	(13)
Segment assets	157,641	1,121	158,762
<b>Revenue</b>			
Total revenue of reportable segments			\$ 2,697
Inter-segment revenue			(131)
Consolidated revenue			\$ 2,566
<b>Non-interest expenses</b>			
Total non-interest expenses of reportable segments			\$ 1,258
Inter-segment non-interest expenses			--
Consolidated non-interest expenses			\$ 1,258
<b>Profit</b>			
Total income of reportable segments			\$ (13)
Inter-segment profits			72
Consolidated net income			\$ 59
<b>Assets</b>			
Total assets of reportable segments			\$ 158,762
Segment accounts receivable from corporate office			(23)
Consolidated assets			\$ 158,739

Financial information with respect to the reportable segments for the three month period ended March 31, 2017 is as follows (dollars in thousands):

	Finance Company	Broker Dealer	Total
External income	\$ 2,488	\$ 146	\$ 2,634
Intersegment revenue	--	189	189
External non-interest expenses	1,011	275	1,286
Intersegment non-interest expenses	138	--	138
Segment net profit (loss)	238	59	297
Segment assets	160,357	511	160,868

#### Revenue

Total revenue of reportable segments	\$ 2,823
Inter-segment revenue	(189)
Consolidated revenue	\$ 2,634

#### Non-interest expenses

Total non-interest expenses of reportable segments	\$ 1,424
Inter-segment non-interest expenses	(138)
Consolidated non-interest expenses	\$ 1,286

#### Profit

Total income of reportable segments	\$ 297
Inter-segment profits	(52)
Consolidated net income	\$ 245

#### Assets

Total assets of reportable segments	\$ 160,868
Segment accounts receivable from corporate office	(6)
Consolidated assets	\$ 160,862

### 17. Subsequent Events

In connection with the Company's Secured Note offering, it has engaged MP Securities to act as its managing broker for the offering. Effective as of April 23, 2018, the Company has transitioned to an assets under management fee compensation model for all sales made by MP Securities of the Secured Notes. Under the assets under management fee compensation structure, MP Securities will be paid a fee equal to 1% per annum of the outstanding balances of our Secured Notes; provided, however, that the maximum amount of fees assessed will not exceed 5% over the life of the Secured Note investment. The Company will also pay MP Securities a .50% processing fee on the purchase of a Secured Note.

Regarding the legal proceeding contingencies detailed in Note 11. Loan Commitments, a trial date has been scheduled for March 4, 2019, with a mandatory settlement conference set for February 1, 2019.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### SAFE HARBOR CAUTIONARY STATEMENT

This Form 10-Q contains forward-looking statements regarding Ministry Partners Investment Company, LLC and our wholly-owned subsidiaries, Ministry Partners Funding, LLC, MP Realty, and MP Securities, LLC, including, without limitation, statements regarding our expectations with respect to revenue, credit losses, levels of non-performing assets, expenses, earnings and other measures of financial performance. Statements that are not statements of historical facts may be deemed to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend,” “should,” “seek,” “will,” and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management.

These forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are subject to change based upon various factors (many of which are beyond our control). Such risks, uncertainties and other factors that could cause our financial performance to differ materially from the expectations expressed in such forward-looking statements include, but are not limited to, the risks set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, as well as the following:

- We are a highly leveraged company and our indebtedness could adversely affect our financial condition and business;
- we depend on the sale of our debt securities to finance our business and have relied on the renewals or reinvestments made by our holders of debt securities when their debt securities mature to fund our business;
- our ability to maintain liquidity or access to other sources of funding;
- the need to sell loan participations in loans we originate in order to maintain liquidity and generate servicing fees;
- the allowance for loan losses that we have set aside proves to be insufficient to cover actual losses on our loan portfolio;
- because we rely on credit facilities to finance our investments in church mortgage loans, disruptions in the credit markets, financial markets and economic conditions that adversely impact the value of church mortgage loans can negatively affect our financial condition and performance; and
- we are required to comply with certain covenants and restrictions in our primary credit facilities that, if not met, could trigger repayment obligations of the outstanding principal balance on short notice.

As used in this quarterly report, the terms “we”, “us”, “our” or the “Company” means Ministry Partners Investment Company, LLC and our wholly-owned subsidiaries, Ministry Partners Funding, LLC, MP Realty, and MP Securities, LLC.



## **OVERVIEW**

We were incorporated in 1991 as a credit union service organization and we invest in and originate mortgage loans made to evangelical churches, ministries, schools and colleges. Our loan investments are generally secured by a first mortgage lien on properties owned and occupied by evangelical churches, schools, colleges and ministries. We converted to a limited liability company form of organization on December 31, 2008.

The following discussion and analysis compares the results of operations for the three month periods ended March 31, 2018 and 2017 and should be read in conjunction with the accompanying financial statements and Notes thereto.

### **Results of Operations**

#### ***Three months ended March 31, 2018 vs. three months ended March 31, 2017***

	Three months ended March 31, (dollars in thousands)		Comparison	
	2018	2017	\$ Difference	% Difference
<b>Interest income:</b>				
Interest on loans	\$ 2,328	\$ 2,327	\$ 1	0%
Interest on interest-bearing accounts	13	13	--	0%
Total interest income	<u>2,341</u>	<u>2,340</u>	<u>1</u>	<u>0%</u>
<b>Interest expense:</b>				
NCUA borrowings	499	535	(36)	(7%)
Notes payable	687	563	124	22%
Total interest expense	<u>1,186</u>	<u>1,098</u>	<u>88</u>	<u>8%</u>
Net interest income	<u>1,155</u>	<u>1,242</u>	<u>(87)</u>	<u>(7%)</u>
Provision for loan losses	63	5	58	100%
Net interest income after provision for loan losses	<u>1,092</u>	<u>1,237</u>	<u>(145)</u>	<u>(12%)</u>
<b>Non-interest income</b>				
Broker-dealer commissions and fees	156	146	10	7%
Other lending income	69	148	(79)	(53%)
Total non-interest income	<u>225</u>	<u>294</u>	<u>(69)</u>	<u>(23%)</u>
<b>Non-interest expenses:</b>				
Salaries and benefits	714	727	(13)	(2%)
Marketing and promotion	38	19	19	100%
Office occupancy	37	38	(1)	(3%)
Office operations and other expenses	302	320	(18)	(6%)
Legal and accounting	161	176	(15)	(9%)
Total non-interest expenses	<u>1,252</u>	<u>1,280</u>	<u>(28)</u>	<u>(2%)</u>
Income before provision for income taxes	65	251	(186)	(74%)
Provision for income taxes and state LLC fees	6	6	--	0%
Net income	<u>\$ 59</u>	<u>\$ 245</u>	<u>\$ (186)</u>	<u>(76%)</u>

During the three months ended March 31, 2018, we reported net income of \$59 thousand, which was a decrease of \$186 thousand over the first quarter 2017. The decrease in net income was due primarily to an increase in interest expense related to notes payable, a decrease in non-interest income related to lending activities and \$58 thousand of additional provisions for loan losses taken during the quarter ended March 31, 2018.

During the three months ended March 31, 2018, we reported interest income of \$2.3 million, an increase of \$1 thousand. This marginal difference was due to the earning assets average balance and yield remaining the same in the first quarter of 2018 a compared to the same quarter in 2017.

Total interest expense increased by \$88 thousand as compared to the first quarter 2017 due to an increase in interest expense on our investor notes. Note interest expense increased by \$124 thousand as the weighted average rate paid on our outstanding notes payable increased from 2.94% to 3.15%. Interest expense on our NCUA borrowings decreased by \$36 thousand over the first quarter 2017 due to regular monthly principal payments made on our borrowings.

For the first quarter 2018, net interest income decreased by \$87 thousand, from the first quarter 2017 due to the factors described above. Net interest income after provision for loan losses decreased by \$145 thousand for the quarter ended March 31, 2018 over the three months ended March 31, 2017. An increase in provision for loan losses of \$58 thousand contributed to the decrease in net interest income after provision for loan losses.

We had total non-interest income of \$225 thousand in the first quarter 2018 primarily due to \$156 thousand in broker-dealer commissions and fees earned by MP Securities, \$23 thousand in management service fees, and \$41 thousand in servicing fee income. Our broker-dealer commissions and fees increased slightly as we continue to expand our customer base and assets managed by MP Securities. Our other income generated from lending activities decreased due to lower origination and loan sale activity in the first quarter 2018 as compared to the first quarter of 2017.

Non-interest operating expenses for the three months ended March 31, 2018 decreased by \$28 thousand over the same period ended March 31, 2017. This decrease is due to several factors. First, salaries and benefits decreased by \$13 thousand due primarily to lower bonus accruals as compared to the first quarter of 2017. Office operations decreased by \$18 thousand due to lower lending activity and human resource costs. Finally, legal and accounting expenses decreased \$15 thousand due to lower audit costs. Marketing and promotions expenses increased by \$19 thousand somewhat offsetting the decreases in non-interest operating expenses described above.

## Net Interest Income and Net Interest Margin

Historically, our earnings have primarily depended upon the difference between the income we receive from interest-earning assets, which consist principally of mortgage loan investments and interest-earning accounts with other financial institutions, and the interest paid on our debt securities and credit facility borrowings. This difference is net interest income. Net interest margin is net interest income expressed as a percentage of average total assets.

The following table provides information, for the periods indicated, on the average amounts outstanding for the major categories of interest-earning assets and interest-bearing liabilities, the amount of interest earned or paid, the yields and rates on major categories of interest-earning assets and interest-bearing liabilities, and the net interest margin:

	Average Balances and Rates/Yields For the Three Months Ended March 31, (Dollars in thousands)					
	2018			2017		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
<b>Assets:</b>						
Interest-earning accounts with other financial institutions	\$ 11,951	\$ 13	0.44 %	\$ 15,508	\$ 13	0.34 %
Interest-earning loans [1]	<u>137,547</u>	<u>2,328</u>	6.86 %	<u>134,131</u>	<u>2,327</u>	7.04 %
<b>Total interest-earning assets</b>	149,498	2,341	6.35 %	149,639	2,340	6.34 %
Non-interest-earning assets	<u>10,893</u>	--	--%	<u>10,987</u>	--	--%
<b>Total Assets</b>	<u><u>160,391</u></u>	<u><u>2,341</u></u>	<u><u>5.92 %</u></u>	<u><u>160,626</u></u>	<u><u>2,340</u></u>	<u><u>5.91 %</u></u>
<b>Liabilities:</b>						
<b>[2]</b>						
Public offering notes – Class A	12,021	120	4.05 %	16,937	156	3.74 %
Public offering notes – Class 1	38,654	359	3.77 %	33,924	273	3.26 %
Public offering notes – Class 1A	69	1	5.88 %	--	--	--%
Special offering notes	242	2	3.35 %	1,821	19	4.23 %
International notes	--	--	--%	40	--	--%

Subordinated notes	8,677	99	4.63 %	5,180	61	4.78 %
Secured notes	9,367	87	3.77 %	7,091	54	3.09 %
NCUA borrowings	<u>81,071</u>	<u>499</u>	2.50 %	<u>85,916</u>	<u>535</u>	2.53 %
<b>Total interest-bearing liabilities</b>	<u>\$150,101</u>	<u>1,167</u>	3.15 %	<u>\$ 150,909</u>	<u>1,098</u>	2.95 %
Net interest income		<u>\$ 1,174</u>			<u>\$ 1,242</u>	
Net interest margin [3]			3.18 %			3.37 %

[1] Loans are net of deferred fees and before the allowance for loan losses. Non accrual loans are considered non-interest assets for this analysis.

[2] Interest expense on notes are presented gross of debt issuance costs.

[3] Net interest margin is equal to net interest income as a percentage of average interest-earning assets.

Average interest-earning assets increased slightly to \$149.5 million during the three months ended March 31, 2018, from \$149.6 million during the same period in 2017, an increase of \$141 thousand. The average yield on these assets increased by 1 basis point from 6.34% to 6.35% for the three months ended March 31, 2017 and 2018, respectively. Yield on interest-earning loans dropped from 7.04% to 6.86%. This decrease was offset by a higher average balance on interest earning loans comprising a higher portion of our interest earning assets than it did during the first quarter of 2017.

Average non-interest earning assets decreased by \$94 thousand for the three months ended March 31, 2018 as compared to the quarter ended March 31, 2017. Non-performing assets decreased by \$0.2 million for the three months ended March 31, 2018 to \$9.1 million.

Average interest-bearing liabilities, consisting of notes payable and borrowings from financial institutions, decreased to \$150.1 million during the three months ended March 31, 2018, as compared to \$150.9 million during the same period in 2017. The decrease is attributable to a \$4.8 million decrease in borrowings and an increase in notes payable of \$2.3 million. The average rate paid on these liabilities increased from 2.95% to 3.15% for the three months ended March 31, 2018 as the underlying base index rates on our publicly offered notes have increased over the previous twelve months, which has increased the average rates paid on our Class 1 Notes from 3.26% to 3.77%.

Net interest income, gross of debt issuance costs for the three months ended March 31, 2018 was \$1.2 million, which was a decrease of \$68 thousand, for the same period in 2017. Net interest margin decreased 18 basis points to 3.18% for the quarter ended March 31, 2018, compared to 3.37% for the quarter ended March 31, 2017.

### Rate/Volume Analysis of Net Interest Income

	Three Months Ended March 31, 2018 vs. 2017		
	Increase (Decrease) Due to Change in		
	Volume	Rate	Total
	(Dollars in thousands)		
<b>Increase (Decrease) in Interest Income:</b>			
Interest-earning accounts with other financial institutions	\$ (3)	\$ 3	\$ --
Interest-earning loans [1]	59	(58)	1
	<u>56</u>	<u>(55)</u>	<u>1</u>
<b>Increase (Decrease) in Interest Expense: [1]</b>			
Public offering notes – Class A	(48)	12	(36)
Public offering notes – Class 1	41	45	86
Public offering notes – Class 1A	1	--	1
Special offering notes	(14)	(3)	(17)
International notes	--	--	--
Subordinated notes	40	(2)	38
Secured notes	20	13	33
NCUA borrowings	(30)	(6)	(36)
Total interest-bearing liabilities	<u>10</u>	<u>59</u>	<u>69</u>
Change in net interest income	<u>\$ 46</u>	<u>\$ (114)</u>	<u>\$ (68)</u>

## Financial Condition

### Comparison of Financial Condition at March 31, 2018 and December 31, 2017

	2018 (Unaudited)	2017 (Audited)	Comparison	
			\$ Difference	% Difference
(dollars in thousands)				
<b>Assets:</b>				
Cash	\$ 11,879	\$ 9,907	\$ 1,972	20%
Restricted cash	56	58	(2)	(3%)
Loans receivable, net of allowance for loan losses of \$2,160 and \$2,097 as of March 31, 2018 and December 31, 2017, respectively	144,492	148,835	(4,343)	(3%)
Accrued interest receivable	725	742	(17)	(2%)
Investments in joint venture	896	896	--	--%
Property and equipment, net	95	103	(8)	(8%)
Servicing assets	251	270	(19)	(7%)
Other assets	345	211	134	64%
<b>Total assets</b>	<b>\$ 158,739</b>	<b>\$ 161,022</b>	<b>\$ (2,283)</b>	<b>(1%)</b>
<b>Liabilities and members' equity</b>				
<b>Liabilities:</b>				
NCUA borrowings	\$ 80,265	\$ 81,492	\$ (1,227)	(2%)
Notes payable, net of debt issuance costs of \$72 and \$85 as of March 31, 2018 and December 31, 2017, respectively	68,228	69,003	(775)	(1%)
Accrued interest payable	206	208	(2)	(1%)
Other liabilities	636	890	(254)	(29%)
<b>Total liabilities</b>	<b>149,335</b>	<b>151,593</b>	<b>(2,258)</b>	<b>(1%)</b>
<b>Members' Equity:</b>				
Series A preferred units	11,715	11,715	--	--%
Class A common units	1,509	1,509	--	--%
Accumulated deficit	(3,820)	(3,795)	(25)	1%
<b>Total members' equity</b>	<b>9,404</b>	<b>9,429</b>	<b>(25)</b>	<b>(0%)</b>
<b>Total liabilities and members' equity</b>	<b>\$ 158,739</b>	<b>\$ 161,022</b>	<b>\$ (2,283)</b>	<b>(1%)</b>

**General.** Total assets decreased by \$2.3 million, or 1%, between March 31, 2018 and December 31, 2017. This decrease was primarily due to a decrease in loans receivable.

During the three month period ended March 31, 2018, we sold \$1.5 million in new notes compared to \$7.4 million in the first quarter 2017. This decrease was due to the Company's Class 1 Notes Offering expiring on December 31, 2017. The Company's new Class 1A Notes Offering became effective February 27, 2018. Prior to that date, no sales of the Company's Class 1A Notes could be made. Due to the nature of the church lending process, we only funded \$426 thousand in loans during the first quarter of 2018.

Our portfolio consists entirely of loans made to evangelical churches and ministries. Approximately 99% of these loans are secured by real estate, while four loans that represent less than 1% of our loans are unsecured. The loans in our portfolio carried a weighted average interest rate of 6.35% at March 31, 2018 and 6.31% at December 31, 2017.

**Non-performing Assets.** Non-performing loans include non-accrual loans, loans 90 days or more past due and still accruing, restructured loans, and other impaired loans where the net present value of estimated future cash flows is lower than the outstanding principal balance. Non-accrual loans represent loans on which interest accruals have been discontinued. Restructured loans are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress. Non-performing loans are closely monitored on an ongoing basis as part of our loan review and work-out process. The potential risk of loss on these loans is evaluated by comparing the loan balance to the fair value of any underlying collateral or the present value of projected future cash flows. The following is a summary of the recorded balance of our nonperforming loans (dollars in thousands) as of March 31, 2018, December 31, 2017 and March 31, 2017:

	March 31, 2018	December 31 2017	March 31, 2017
Impaired loans with an allowance for loan loss	\$ 5,423	\$ 3,999	\$ 4,256
Impaired loans without an allowance for loan loss	3,679	5,256	4,469
<b>Total impaired loans</b>	<b>\$ 9,102</b>	<b>\$ 9,255</b>	<b>\$ 8,725</b>
Allowance for loan losses related to impaired loans	\$ 1,293	\$ 1,260	\$ 1,072
<b>Total non-accrual loans</b>	<b>\$ 8,207</b>	<b>\$ 8,363</b>	<b>\$ 8,725</b>
<b>Total loans past due 90 days or more and still accruing</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

Some non-accrual loans are considered collateral dependent. These are defined as loans where the repayment of principal will involve the sale or operation of collateral securing the loan. For collateral dependent loans, any payment of interest we receive is recorded against principal. As a result, interest income is not recognized until the loan is no longer considered impaired. For non-accrual loans that are not considered collateral dependent, we do not accrue interest income, but we recognize income on a cash basis. We had 11 nonaccrual loans as of March 31, 2018 and 10 as of December 31, 2017.

We did not restructure or change the classification of any of our impaired loans during the three months ended March 31, 2018. The decrease in the balance of our impaired loans at March 31, 2018 as compared to December 31, 2017 is related entirely to payments made on these loans, all of which are taken against principal.

The following table presents our non-performing assets:

	<b>Non-performing Assets</b>	
	(\$ in thousands)	
	March 31, 2018	December 31, 2017
Non-Performing Loans: <sup>1</sup>		
Collateral Dependent:		
Delinquencies over 90-Days	\$ 2,810	\$ 495
Troubled Debt Restructurings <sup>2</sup>	3,679	6,104
Other Impaired Loans	1,213	1,214
<b>Total Collateral Dependent Loans</b>	<b>7,702</b>	<b>7,813</b>
Non-Collateral Dependent:		
Delinquencies over 90-Days	--	--
Other Impaired loans	1,400	--
Troubled Debt Restructurings	--	1,442
<b>Total Non-Collateral Dependent Loans</b>	<b>1,400</b>	<b>1,442</b>
Loans 90 Days past due and still accruing	--	--
<b>Total Non-Performing Loans</b>	<b>9,102</b>	<b>9,255</b>
Foreclosed Assets <sup>3</sup>	--	--



Total Non-performing Assets	<u>\$ 9,102</u>	<u>\$ 9,255</u>
-----------------------------	-----------------	-----------------

<sup>1</sup> These loans are presented at the balance of unpaid principal less interest payments recorded against principal

<sup>2</sup> Includes \$2.3 million of restructured loans that were over 90 days delinquent as of March 31, 2018.

<sup>3</sup> Foreclosed assets are presented net of any valuation allowances taken against the assets.

At March 31, 2018 and December 31, 2017, we had eight restructured loans that were on non-accrual status. Three of these loans were over 90 days delinquent at March 31, 2018. In addition, we had three collateral dependent loans that have not been restructured that are also on non-accrual status.

**Allowance for Loan Losses.** We maintain an allowance for loan losses that we consider adequate to cover both the inherent risk of loss associated with the loan portfolio as well as the risk associated with specific loans that we have identified as having a significant chance of resulting in loss.

Allowances taken to address the inherent risk of loss in the loan portfolio are considered general reserves. We include various factors in our analysis. These are weighted based on the level of risk represented and for the potential impact on our portfolio. These factors include:

- Changes in lending policies and procedures, including changes in underwriting standards and collection;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The effect of credit concentrations; and
- The rate of defaults on loans modified as troubled debt restructurings within the previous twelve months.

In addition, we include additional general reserves for our loans that are collateralized by a junior lien or that are unsecured. In order to more accurately determine the potential impact these factors have on our portfolio, we segregate our loans into pools based on risk rating when we perform our analysis. Risk factors are weighted differently depending upon the quality of the loans in the pool. In general, risk factors are given a higher weighting for lower quality loans, which results in greater general reserves related to these loans. We evaluate these factors on a quarterly basis to ensure that we have adequately addressed the risk inherent in our loan portfolio.

We also examine our entire loan portfolio regularly to identify individual loans which we believe have a greater risk of loss than is addressed by the general reserves. These are identified by examining delinquency reports, both current and historic, monitoring collateral value, and performing a periodic review of borrower financial statements. For loans that are collateral dependent, management first determines the value at risk on the investment, defined as the unpaid principal balance, net of discounts, less the collateral value net of estimated costs associated with selling a foreclosed property. This entire value at risk is reserved. For impaired loans that are not collateral dependent, management will record an impairment based on the present value of expected future cash flows. Loans that carry a specific reserve are formally reviewed quarterly, although reserves will be adjusted more frequently if additional information regarding the loan's status or its underlying collateral is received.

Finally, our allowance for loan losses includes reserves related to troubled debt restructurings. These reserves are calculated as the difference in the net present value of payment streams between a troubled debt restructuring at its modified terms as compared to its original terms, discounted at the original interest rate on the loan. These reserves are recorded at the time of the restructuring. The change in the present value of cash flows attributable to the passage of time is reported as interest income.

The process of providing adequate allowance for loan losses involves discretion on the part of management, and as such, losses may differ from current estimates. We have attempted to maintain the allowance at a level which compensates for losses that may arise from unknown conditions. At

March 31, 2018 and December 31, 2017, the allowance for loan losses was \$2.2 million and \$2.1 million, respectively. This represented 1.5% and 1.3% of our gross loans receivable at March 31, 2018 and December 31, 2017, respectively.

**Allowance for Loan Losses  
as of and for the**

	Three months ended March 31		Year ended December 31,
	2018	2017	2017
<b>Balances:</b>			
	(\$ in thousands)		
Average total loans outstanding during period	\$ 150,284	\$ 146,856	\$ 148,200
Total loans outstanding at end of the period	\$ 148,379	\$ 145,515	\$ 152,714
<b>Allowance for loan losses:</b>			
Balance at the beginning of period	\$ 2,097	\$ 1,875	\$ 1,875
Provision charged to expense	63	5	262
<b>Charge-offs</b>			
Wholly-Owned First	--	--	40
Wholly-Owned Junior	--	--	--
Participation First	--	--	--
Participation Junior	--	--	--
Total	--	--	40
<b>Recoveries</b>			
Wholly-Owned First	--	--	--
Wholly-Owned Junior	--	--	--
Participation First	--	--	--
Participation Junior	--	--	--
Total	--	--	--
Net loan charge-offs	--	--	40
Accretion of allowance related to restructured loans	--	--	--
<b>Balance</b>	<b>\$ 2,160</b>	<b>\$ 1,880</b>	<b>\$ 2,097</b>
<b>Ratios:</b>			
Net loan charge-offs to average total loans	0.00 %	0.00 %	0.03 %
Provision for loan losses to average total loans <sup>1</sup>	0.04 %	0.00 %	0.18 %
Allowance for loan losses to total loans at the end of the period	1.46 %	1.29 %	1.37 %
Allowance for loan losses to non-performing loans	23.73 %	21.55 %	22.66 %
Net loan charge-offs to allowance for loan losses at the end of the period	0.00 %	0.00 %	1.91 %
Net loan charge-offs to Provision for loan losses <sup>1</sup>	0.00 %	0.00 %	0.15 %

**Investments.** At March 31, 2018 and 2017, we had one investment in a joint venture formed in January 2016 in which our ownership interest is \$900 thousand. The purpose of the joint venture is to develop and sell property acquired by us as part of a Deed in Lieu of Foreclosure agreement reached with one of our borrowers in 2014. Our net investment value after accounting for our portion of the net losses of the venture was \$896 thousand at both March 31, 2018 and December 31, 2017.

**NCUA Borrowings.** At March 31, 2018, we had \$80.3 million in borrowings from financial institutions. This represents a decrease of \$1.2 million from December 31, 2017. This decrease is the result of regular monthly payments made on the credit facilities.

**Notes Payable.** Our investor notes payable consist of debt securities sold under publicly registered security offerings as well as notes sold in private placements. These investor notes had a balance

of \$68.3 million at March 31, 2018, which was a decrease of \$775 thousand from December 31, 2017. As described above, this decrease was due to the timing gap when the Class 1 Notes Offering expired on December, 31 2017 and the new Class 1A Notes Offering Registration Statement became effective on February 27, 2018. Over the last several years, we have expanded our note sale program by building relationships with other financial institutions whereby we can

offer our various note products to their clients. In 2015, we reached networking agreements with both ECCU and ACCU to provide investment advisory services and sell our debt securities to investors they refer to us. We have also developed relationships with other institutions that have enabled us to sell notes in larger amounts. At the same time, we have continued to build our individual customer base through MP Securities and its staff of sales personnel. Our notes payable are presented net of debt issuance costs, which have decreased from \$85 thousand at December 31, 2017 to \$72 thousand at March 31, 2018.

**Other liabilities.** Our other liabilities include accounts payable to third parties and salaries, bonuses, and commissions payable to our employees. Our other liabilities decreased by \$269 thousand, mainly due to the payment of accrued bonuses during the first quarter of 2017, dividends paid to our equity owners, and compensation paid to our Board of Managers during the first quarter of 2017 that had been previously accrued.

**Members' Equity.** Total members' equity was \$9.4 million at March 31, 2018, which represents a decrease of \$25 thousand from December 31, 2017. This decrease comprises \$59 thousand in net income for the three months ended March 31, 2018, offset by \$84 thousand in dividends related to our Series A Preferred Units, which require quarterly dividend payments. We are required to make a payment of 10% of our annual net income after dividends to our Series A Preferred Unit holders. This payment is made in the first quarter of the following year when annual net income has been finalized. We accrue payment of these dividends throughout the year based on our year-to-date net income. No accrual was made for the quarter ended March 31, 2018 as net income after dividends was a loss of \$25 thousand. We did not repurchase or sell any ownership units during the three months ended March 31, 2018.

## **Liquidity and Capital Resources**

### ***March 31, 2018 vs. March 31, 2017***

Maintenance of adequate liquidity requires that sufficient resources be available at all times to meet our cash flow requirements. Desired liquidity may be achieved from both assets and liabilities. Cash, investments in interest-bearing time deposits in other financial institutions, maturing loans, payments of principal and interest on loans and potential loan sales are sources of asset liquidity. Sales of investor notes and access to credit lines also serve as sources of additional liquidity. We follow a liquidity policy that has been approved by our Board of Managers. The policy sets a minimum liquidity ratio and contains contingency protocol if our liquidity falls below the minimum. Our liquidity ratio was 16% at March 31, 2018, which is above the minimum set by our policy. We also review our liquidity position on a regular basis based upon our current position and expected trends of loans and investor notes. Management believes that we maintain adequate sources of liquidity to meet our liquidity needs. Nevertheless, if we are unable to continue our offering of Class 1A Notes for any reason, we incur sudden withdrawals by multiple investors in our investor notes, a substantial portion of our notes that mature during the next twelve months are not renewed, or we are unable to obtain capital from sales of our mortgage loan assets or other sources, we expect that our business would be materially and adversely affected.

The sale of our debt securities is a significant component in financing our mortgage loan investments. We have increased our marketing efforts related to the sale of Secured Notes and we believe that the sale of these notes will help us to meet our liquidity needs for the near future. We also continue to sell debt securities filed under a Registration Statement with the SEC to register \$90 million of Class 1A Notes that was declared effective as of February 27, 2018. This Registration Statement expires on December 31, 2020.

We have also entered into a Loan and Standby Agent Agreement pursuant to a Rule 506 offering to sell \$40.0 million of Series 1 Subordinated Capital Notes and we are offering \$80 million in our Secured Notes under a private placement memorandum. By offering the Class 1A Notes and privately placed investor notes, we expect to fund new loans which can either be held for interest income or sold as participations to generate servicing income and gains on loan sales. The cash from sales will be used to originate additional loan investments or to fund operating activities.

Historically, we have been successful in generating reinvestments by our debt security holders when the notes that they hold mature. During the three months ended March 31, 2018, our investors renewed their debt securities investments at a 56% rate, which represented a decrease from a 76% renewal rate over the three months ended March 31, 2017. The decrease was primarily due to the fact that we discontinued the sale of our Class 1 Notes on

December 31, 2017 and were unable to sell our new Class 1A Notes until February 27<sup>th</sup>, 2018 when our Class 1A Notes Registration Statement became effective. We have stabilized our note renewal rate over the last several years as MP Securities has adjusted its marketing efforts to the over-concentration of investment limitation restrictions placed on the sale of our notes. New salespeople MP Securities hired over the last several years has also enabled us to increase our client base, which has in turn increased our note sales.

The net increase in cash during the three months ended March 31, 2018 was \$2.0 million, as compared to a net increase of \$6.4 million for the three months ended March 31, 2017. Net cash used by operating activities totaled \$197 thousand for the three months ended March 31, 2018, as compared to net cash used by operating activities of \$288 thousand for the same period in 2017. This decrease in cash used by operating activities is attributable primarily to two factors. First, a large portion of income earned in the first quarter of 2017 was attributable to gains generated from the sale of loans. Secondly, we had a decrease in amortization of deferred loan fees for three months ended March 31, 2018 as compared to the same period in 2017.

Net cash provided by investing activities totaled \$4.3 million during the three months ended March 31, 2018, as compared to \$2.5 million provided during the three months ended March 31, 2017, representing an increase in cash provided of \$1.8 million. The increase in cash provided is due to loan payoffs and paydowns.

Net cash used by financing activities totaled \$2.2 million for the three month period ended March 31, 2018, a decrease in cash provided of \$6.3 million as compared to \$4.2 million provided by financing activities during the three months ended March 31, 2017. This difference is primarily attributable to a decrease in sales of our notes payable of \$6.3 million over the same period in 2017.

At March 31, 2018, our cash, which includes cash reserves and cash available for investment in mortgage loans, was \$11.9 million, which represented a decrease of \$4.8 million from \$16.7 million at December 31, 2017.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Our management, including our Chief Financial Officer, supervised and participated in an evaluation of our disclosure controls and procedures as of March 31, 2018. After evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) as of the end of the period covered by this quarterly report, our Chief Financial Officer has concluded that as of the evaluation date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this quarterly report was being prepared.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports filed under the Exchange Act is accumulated and communicated to our management, including the President and Principal Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

#### ***Changes in Internal Controls***

No changes in internal controls were made during the three months ended March 31, 2018.





## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Given the nature of our investments made in mortgage loans, we may from time to time have an interest in, or be involved in, litigation arising out of our loan portfolio. We consider litigation related to our loan portfolio to be routine to the conduct of our business. As of March 31, 2018 and subject to the matter described below, we are not involved in any litigation matters that could have a material adverse effect on our financial position, results of operations or cash flows.

On November 11, 2017, Mr. Harold D. Woodall, former Senior Vice President and Chief Credit Officer, filed a suit against the Company and its Chief Executive Officer and President, Joseph Turner, Jr., in the Superior Court of Orange County, California. Mr. Woodall's employment arrangement with the Company terminated effective as of September 5, 2017. Mr. Woodall's suit alleges that the Company wrongfully terminated his employment and violated California's Fair Employment and Housing Act of 1959, and the California Labor Code's whistle blowing law. Mr. Woodall seeks compensatory damages, punitive damages, attorney's fees and other relief as the court deems just. The Court has set a mandatory settlement conference on February 1, 2019 and a trial date of March 4, 2019. The Company believes the allegations in Mr. Woodall's suit are groundless, without merit and it intends to vigorously contest the allegations set forth in Mr. Woodall's complaint. Although the Company believes that it will prevail on the merits, the litigation could have a lengthy process, and the ultimate outcome cannot be predicted.

### **Item 1A. Risk Factors**

As of the date of this filing, there have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K filed for the year ended December 31, 2017.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

### **Item 3. Defaults Upon Senior Securities**

None

### **Item 4. Mine Safety Disclosure**

None

### **Item 5. Other Information**

None.

## Item 6. Exhibits

### Exhibit No. Description of Exhibit

<a href="#">10.33</a>	Loan and Security Agreement by and between Ministry Partners Investment Company, LLC and Ministry Partners Funding, LLC, dated April 30, 2018.(**)
<a href="#">10.34</a>	Selling Agreement by and between Ministry Partners Investment Company, LLC and Ministry Partners Securities, LLC, date April 30, 2018.(**)
<a href="#">31.1</a>	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) (**)
<a href="#">31.2</a>	Certification of Principal Accounting Officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) (**)
<a href="#">32.1</a>	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (**)
<a href="#">32.2</a>	Certification of Principal Accounting Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (**)
101*	The following information from Ministry Partners Investment Company, LLC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income for the three month periods ended March 31, 2018 and 2017; (ii) Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017; (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017; and (iv) Notes to Consolidated Financial Statements.

\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

\*\* Filed herewith

(1) Incorporated by reference to Exhibit 21.1 to Form 10-K filed by the Company on March 29, 2018.

## SIG NATURE

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.

Dated: May 11, 2018

MINISTRY PARTNERS INVESTMENT  
COMPANY, LLC

(Registrant)

By: /s/ Joseph W. Turner, Jr.  
Joseph W. Turner, Jr.,  
Chief Executive Officer

MINISTRY PARTNERS INVESTMENT COMPANY, LLC

AND

MINISTRY PARTNERS FUNDING, LLC

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**Loan and Security Agreement**

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\$80,000,000

Secured Investment Notes

Date: April 30, 2018

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THIS LOAN AND SECURITY AGREEMENT is hereby entered into effective as of April 30, 2018, by and among MINISTRY PARTNERS INVESTMENT COMPANY, LLC, a California limited liability company ("Company"), MINISTRY PARTNERS FUNDING, LLC, a Delaware limited liability company ("Collateral Agent") and the holders of the Company's Secured Investment Notes.

The Company and the Collateral Agent agree as follows for the benefit of each other and for the equal and ratable benefit of the registered holders ("Holders") of the Company's Secured Investment Notes ("Notes"):

#### GRANTING CLAUSE

To secure the payment of the principal of and interest on the Notes and the performance of the additional covenants contained in this Agreement, and in consideration of the premises and of the covenants contained herein and purchase of the Notes by the registered Holders thereof, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company does hereby grant, bargain, sell, release, convey, assign, pledge, transfer, mortgage and confirm unto the Collateral Agent, and grant to the Collateral Agent a security interest in all mortgage loans, short-term money market instruments and all of its rights, title and interest in the Collateral described in Exhibit A attached hereto and made a part hereof, as shall be now or hereafter actually assigned and delivered to the Collateral Agent with respect to the Notes, in each case delivered or intended to be delivered pursuant to the provisions of the definition of the term "Delivery" in Article I, together with all the proceeds thereof and additions thereto (herein collectively referred to as the "Collateral").

Such grants are made, to secure the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Notes by reason of difference in time of issuance or otherwise, and to secure (i) the payment of all amounts due on the Notes in accordance with their terms, (ii) the payment of all other sums with respect to the Notes and (iii) compliance with the provisions of this Agreement. The Company desires to enter into this Agreement with the Collateral Agent. The Collateral Agent acknowledges such grant, accepts its obligations hereunder in accordance with the provisions of this Agreement and agrees to perform the duties herein required.

UNTIL AN EVENT OF DEFAULT OCCURS or is continuing, the Company shall have the right to operate, manage and control the Collateral and to receive and use the rents, issues, profits, revenues and other income generated by the Collateral and its affiliated entity, Ministry Partners Funding, LLC, shall serve as the Collateral Agent on behalf of the Holders. In addition, until an Event of Default occurs, the Company shall have the right to enter into loan modifications, extensions and troubled debt restructuring arrangements affecting the Collateral, provided, however, that the Company complies with the covenants set forth in Section 4.06 – 4.09 herein.

All terms used in the foregoing granting clauses that are defined in Section 1.01 are used with the meanings given in said Section.

**ARTICLE I**  
**DEFINITIONS AND INCORPORATION**  
**BY REFERENCE**

Section 1.01      Definitions.

“Account” means the record of beneficial ownership of a Note maintained by the Registrar.

“Affiliate” or any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control”, “controlling” and “controlled”, when used with respect to any specified Person, means the power to direct the management and policies of such Person directly or indirectly, whether through ownership of voting securities, by contract or otherwise.

“Agreement” means this Loan and Security Agreement as originally executed or as it may be amended from time to time.

“Business Day” means any day other than a legal holiday for banking institutions.

“Cash” means such coin or currency of the United States of America as at the time shall be legal tender for payment of public and private debts.

“Certificate of Valuation of Collateral” means a certificate prepared by the Company, executed by an authorized Officer of the Company, delivered to the Collateral Agent with respect to any required valuation of the Collateral subject to the lien created by this Agreement, a copy of which is attached hereto as Exhibit C.

“Class 1 Notes” means any note the Company may issue pursuant to the Class 1 Notes Trust Agreement filed as an Exhibit to the Company’s Registration Statement for its Class 1 Notes and declared effective on January 6, 2015. Under the terms of the Class 1 Trust Agreement, the Company may issue up to an aggregate of \$85 million of Class 1 Notes. The Company’s Class 1 offering expired on December 31, 2017 and no additional Class 1 Notes were sold after expiration. As of December 31, 2017, \$39.7 million of the Company’s Class 1 Notes were outstanding.

“Class 1A Notes” means any note the Company may issue pursuant to the Class 1A Notes Trust Indenture Agreement filed as an Exhibit to the Company’s Registration Statement for its Class 1 Notes and declared effective on February 27, 2018. Under the terms of the Class 1A Trust Agreement, the Company may issue up to an aggregate of \$90 million of Class 1A Notes. The Company’s Class 1A Notes are the Company’s unsecured notes issued in two series including a fixed initial interest rate and variable interest rate series which will be adjusted monthly.

“Class A Notes” means any note the Company may issue pursuant to the Class A Notes Trust Agreement dated April 18, 2008. Under the terms of the Class A Notes Trust Agreement, the Company may issue up to an aggregate of \$200 million of Class A Notes. The Class A Notes offering expired on December 31, 2014 and no additional Class A Notes were sold after expiration. As of December 31, 2017, \$12.3 million of the Company’s Class A Notes were outstanding.

“Collateral” means the property as described in Exhibit A, whether now existing or hereafter acquired.

“Collateral Agent” means the entity, person or persons appointed by the Company to serve as the agent and secured party under this Agreement. In the event of default under the Notes, the Holders are entitled to elect an Agent that will replace MPF, the Company’s wholly-owned subsidiary, as Collateral Agent.

“Company” means the party named as such in this Agreement until a successor replaces it and thereafter means the successor.

“Credit Facilities” means the National Credit Union Administration Board as Liquidating Agent of Members United Corporate Federal Credit Union \$63.4 million facility and National Credit Union Administration Board as Liquidating Agent of Western Corporate Federal Credit Union \$18.1 million facility or any replacement financing facility that may be entered into by the Company to refinance and pay off the mortgage loans held in such credit facilities.

“Default” means any event which is, or after notice or lapse of time or both would be, an Event of Default.

“Default Rate of Interest” means a rate equal to the Prime Rate plus four percent (4%) per annum. The “Prime Rate” is the interest rate published daily in the “Money Rates” section of The Wall Street Journal as being its Prime Rate. In the event that The Wall Street Journal shall no longer publish the Prime Rate, the Collateral Agent shall designate a comparable reference rate which shall be deemed to be the Prime Rate hereunder. In the event that the date for determining the Default Rate of Interest falls on a Saturday, Sunday or federal holiday, then the Default Rate of Interest shall be determined as of the immediately preceding business day.

“Deliver” or “Delivered” or “Delivery” means, when used in connection with Collateral:

- (a) with respect to mortgage documents or debt obligations that are not book-entry securities and are susceptible of physical delivery, when such assets, accompanied by the Required Documentation, have been physically delivered to the Collateral Agent or its nominee (as pledgee) and (i) in the case of Government Securities in bearer form, have been endorsed in blank or in the name of the

Collateral Agent or its nominee (as pledgee), and (ii) in the case of bankers' acceptances, commercial paper or other debt obligations, have been so registered or the transfer thereof to the Collateral Agent or its nominee (as pledgee) has been otherwise effected in such manner that the Collateral Agent or its nominee (as pledgee) is entitled to receive directly any payments on or with respect to such assets; or

(b) with respect to book-entry securities, (i) when proper notification and/or instruction for the transfer of such securities to the Collateral Agent or its nominee (as pledgee) has been given and the relevant depository sends the Collateral Agent or its nominee confirmation of the purchase of such book-entry securities by the Collateral Agent or its nominee (as pledgee) and also by book-entry or otherwise identifies such book-entry securities as belonging to the Collateral Agent or its nominee (as pledgee) in such manner that the Collateral Agent or its nominee (as pledgee) is entitled to withdraw or to receive directly any payments on or with respect to such book-entry securities; in each case in accordance with applicable law and regulation, including, without limitation, regulations of the United States government, the Uniform Commercial Code and procedures of any issuer or custodian or registrar for such book-entry security; or

(c) with respect to demand deposits, time deposits or non-negotiable certificates of deposit, (i) when such deposits or certificates of deposit have been transferred to the name of the Collateral Agent or its nominee (as pledgee) together with, in the case of non-negotiable certificates of deposit, physical delivery thereof to the Collateral Agent or its nominee (as pledgee), or (ii) when the transfer of such deposits or certificates of deposit to the Collateral Agent or its nominee (as pledgee) has been otherwise effected in such manner that the Collateral Agent or its nominee (as pledgee) is entitled to withdraw or to receive directly any payments on or with respect to such deposits or certificates of deposit, in each case in accordance with applicable law and regulation; or

(d) with respect to Cash, when such Cash is delivered to the Collateral Agent or its nominee (as pledgee) in accordance with applicable law and regulation;

and, with respect to all such delivered items described in (a) through (d), accompanied by evidence that appropriate financing statements have been filed in each jurisdiction in which financing statements are required to be filed in order to perfect a security interest therein in favor of the Collateral Agent.

“ECCU Loan Servicing Agreement” means that certain Loan Servicing Agreement entered into by and between the Company and Evangelical Christian Credit Union, as it may be amended from time to time. From time to time the Company has acquired in the ordinary course of its business mortgage loan investments that were



underwritten and originated by ECCU. As of December 31, 2017, ECCU was servicing approximately \$9.2 million in mortgage loan investments on behalf of the Company.

“Eligible Pledged Assets” shall be defined to include the mortgage loan investments owned by the Company from time to time but shall exclude a mortgage loan of the Fund that is (i) subject to any default, dispute, foreclosure claim, litigation or counterclaim or is the subject of any rescission claim at the time of pledge in favor of the Collateral Agent; (ii) classified at the time of pledge in favor of the Collateral Agent as a delinquent receivable as to which a scheduled interest or principal payment remains unpaid for sixty (60) or more days past the required due date; (iii) deemed uncollectable, doubtful or has been charged off in accordance with the Company’s collection policies; or (iv) any mortgage loan investment that fails to meet the qualification requirements set forth in Exhibit D hereto. Eligible Pledged Assets shall otherwise include all cash, liquid securities and mortgage loan investments held by the Collateral Agent.

“Event of Default” shall have the meaning ascribed to it in Section 6.01 of the Agreement.

“Grant” means to grant, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in, deposit, set-over and confirm. A Grant of a pledged loan and related mortgage documents, or any other instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including, without limitation, the immediate and continuing right to claim for, collect, receive and give receipts for principal and interest payments hereunder, insurance proceeds, condemnation awards, purchase prices and all other moneys payable thereunder and all proceeds thereof, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the granting party or otherwise, and generally to do and receive anything which the granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Holder” means the Person in whose name a Note is registered on the books and records of the Company as a holder of a Note.

“Interest Accrual Period” means, with respect to any Note, the period from the later of the Issue Date of such Note or the day after the last Payment Date upon which an interest payment was made until the following Payment Date during which interest accrues on each Note.

“Issue Date” means, with respect to any Note, the date on which such Note is deemed registered on the books and records of the Registrar, which shall be the date the Company accepts funds for the purchase of a Note if such funds are received by 12:00 P.M. (Pacific Standard Time) on a Business Day, or if such funds are received after such time, on the next Business Day.

"Maturity Date" means, with respect to any Note, the date on which the principal of such Note becomes due and payable as therein provided.

"Memorandum" means the Private Placement Memorandum relating to the Notes, including any Memorandum supplement or amendment thereto.

"Mortgage Pool Collateralization Ratio" means, as of the Pledged Collateral Report Date, the ratio of (i) the principal balance of all Eligible Pledged Assets and Collateral held by the Collateral Agent (less any mortgage loans that exceed certain concentration limits set forth in Exhibit D hereto) divided by (ii) the aggregate, unpaid principal and interest owing on the Notes as of the date determined.

"Note" means any of the Secured Investment Notes issued pursuant to the terms hereof or any Notes issued in the future hereunder, as amended or supplemented from time to time. A specimen form of the Note is shown on Exhibit B attached hereto and made a part hereof.

"Obligations" means the principal and interest due and payable with respect to Notes issued pursuant to this Agreement, and all debts, liabilities and obligations of the Company to the Collateral Agent and Holders related to the Notes, however evidenced and whether now existing or hereafter incurred, direct or indirect, matured or not matured, absolute or contingent, now due or hereafter to become due (including, without limitation, any and all costs and attorneys' fees incurred by the Collateral Agent in the collection, whether by suit or by any other means, of any of the Obligations) and the extension or renewals of any of the foregoing.

"Officer" means the President, any Vice President, Chief Financial Officer, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by an Officer of the Company.

"Outstanding Notes" when used with respect to the Notes means, as of the date of determination, all Notes theretofore issued and delivered by the Company and not paid, prepaid or redeemed in full pursuant to their terms.

"Paying Agent" means Ministry Partners Investment Company, LLC or its successors.

"Payment Date" means the first day of each month, or if such day is not a Business Day, the first Business Day immediately following such day, the Maturity Date or Redemption Date applicable to a Note.

"Pledged Collateral Report Date" means the date stated in a Certificate of Valuation of Collateral, in the form attached as Exhibit C hereto, as of which the valuation of the Collateral is certified by an authorized Officer of the Company.

“Principal” of a Note means the unpaid aggregate principal on the face of the Note. Such amount shall not include any unpaid interest, penalties or other charges added to the principal of the Notes.

“Record Date” means, with respect to any Payment Date, the date on which the Holders entitled to receive any payment of principal of, or interest on, any Notes (or notice of a payment in full of principal) due and payable on such Payment Date are determined, such date being the 15th day of the month prior to such Payment Date, unless otherwise determined by the Registrar.

"Redemption Date" has the meaning given in Article III hereof.

"Redemption Price" means, with respect to any Note to be redeemed, the principal amount of such Note plus the interest accrued but unpaid during the Interest Accrual Period up to the Redemption Date for such Note.

“Registered Note” means Note of the Company issued pursuant to this Agreement and fully registered on the Registrar’s books.

“Registered Note Holder” means the registered owner of any Registered Note.

“Registrar” means Ministry Partners Investment Company, LLC or its successors.

“Required Documentation” means, with respect to a mortgage loan:

(a) original promissory note and an allonge which endorses the promissory note to the order of the Collateral Agent, with recourse.

(b) original recorded deed to secure debt, assignment of rents and security agreement, mortgage, assignment of rents and security agreement, or deed of trust, assignment of rents and security agreement, each with recording information stamped thereon.

(c) original recorded assignment of deed to secure debt, assignment of mortgage or assignment of deed of trust with recording information stamped thereon.

(d) original recorded and/or filed UCC financing statements, and original recorded and/or filed UCC financing statement amendments adding the Collateral Agent as a secured party and deleting the Company as a secured party, each with recording and/or filing information stamped thereon.

(e) original title insurance policy showing the Collateral Agent, and its successors and assigns, as the insured and insuring the Collateral Agent’s interest as mortgagee for the full amount of the loan evidenced by the promissory note. The title insurance policy shall contain such endorsements as may be required

under the Company's loan policies and such other endorsements as the Collateral Agent may require. The Company shall also provide such title exception documents referred to in Schedule B-II of the title insurance policy obtained in connection with the mortgage loan.

- (f) Original guaranty agreement (if applicable).
- (g) Copies of borrower's and guarantor's borrowing resolutions, organizational documents and certificates of existence / good standing.
- (h) Copy of loan closing statement and acquisition closing statement (if made available to the Company on any loans it has acquired).
- (i) Any environmental data report or other similar form of report that may be included in the loan file as required under the Company's loan policies.
- (j) Any appraisal or valuation report that is included in the loan file as required from time to time by the Company's loan policies.
- (k) ALTA / ACSM Land Title Survey or other survey or recorded plat included in the loan file as required by the Company's loan policies or by applicable state legal or regulatory requirements.
- (l) Evidence of zoning, sufficient parking, permitted use and rebuild ability, including copies of the relevant provisions or the zoning ordinance and zoning map, if requested by the Collateral Agent.
- (m) Certificates of Insurance, including assignments to the Company's successors and assigns enabling the Collateral Agent to exercise any rights of the mortgagee, loss payee and as an additional insured party.
- (n) Any other supporting documents required by the Collateral Agent.
- (o) Certificated mortgage bonds duly assigned in blank to the Collateral Agent and written documentation evidencing that book-entry mortgage bonds have been collaterally assigned to the Collateral Agent and the registrar thereof has confirmed the entry of the interest of the Collateral Agent on its bond registry.

"SEC" means the Securities and Exchange Commission.

"Valuation of Eligible Pledged Assets" shall mean, as of the Pledged Collateral Report Date, the amount of the Eligible Pledged Assets determined as follows:

- (a) the face value of any cash and cash instruments held by the Collateral Agent;

(b) the principal amounts of any short term money market instruments, certificates of deposit, U.S. Treasury bills and liquid securities held by the Collateral Agent;

(c) the current aggregate principal balance unpaid on any mortgage loan held by the Collateral Agent; and

(d) if the Collateral Agent holds Eligible Pledged Assets that are of the same type, on a pooled basis, such assets may be aggregated and valued under a pooling method established by the Company.

Section 1.02 Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
“Bankruptcy Law”	6.01
“Event of Default”	6.01
“Legal Holiday”	10.08
“U.S. Government Obligations”	8.01

Section 1.03 Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;

(c) “or” is not exclusive; and

(d) words in the singular include the plural, and in the plural include the singular.

**ARTICLE II  
THE NOTES**

Section 2.01 Form, Dating and Terms.

(a) The Notes shall be substantially in the form required by this Article II. The Notes may have notations, legends or endorsements required by the Collateral Agent or the Company pursuant to the terms of the investment documentation for such Note or by law, rule or regulatory authority. The Notes delivered for the benefit of a Holder will be subject to the terms and conditions set forth in the form attached hereto as Exhibit B. Any portion of the text of any Note may be set forth on the reverse side of such Note with an appropriate reference on the face of the Note. The Company shall approve the form of the Notes and any notation, legend or endorsement on such Notes.

(b) The Notes will be issued in fully registered form, without coupon, in denominations of \$1,000 and any larger integrals of \$1,000.

(c) The Notes shall mature on the dates and in the principal amounts, and bear interest, as set forth in such Note.

(d) The record of beneficial ownership shall be maintained and updated by the Registrar through the establishment and maintenance of Accounts for the benefit of Registered Note Holders.

(e) Each Note shall have a maturity term of 18, 36, or 54 months as shall be designated by the Holder at the time of purchase, subject to the Company's acceptance thereof.

(f) Each Note shall bear interest from and commencing on its Issue Date at such rate of interest as the Company shall determine from time to time, as described in the Memorandum. The interest rate of each Note will be fixed for the term of such Note upon issuance, subject to change upon the renewal of the Note at maturity. The Company shall pay the Holders interest on the Notes monthly or at maturity of the Note. To the extent any applicable interest payment date is not a Business Day, then interest shall be paid instead on the next succeeding Business Day.

(g) The Company will give each Holder of a Note a written notice approximately thirty (30) but not less than ten (10) days prior to the Maturity Date of the Note held by such Holder reminding such Holder of the Maturity Date of the Note. If the Company is offering renewal of the Notes, the Company will provide such Holder with notice of the interest rates then in effect and a form for the Holder to use to notify the Company whether the Holder wishes to renew the Note. To be effective, a notice of renewal must be returned to the Company (or its agent) not later than the Maturity Date of the maturing Note. Unless a Note is properly renewed, no interest will accrue after the Maturity Date for such Note. If a Note is not renewed, the Company shall pay the Holder the principal amount on the maturing Note, together with accrued but unpaid interest thereon, within ten (10) days after the Maturity Date.

(h) If the Company is offering renewal of the Notes and a Holder renews a Note, then interest shall continue to accrue from the first day of such renewal term at the applicable rate then in effect. Such Note, as renewed, will continue in all its provisions, including provisions relating to payment.

(i) The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Agreement. To the extent applicable, the Company and Collateral Agent, by their execution and delivery of this Agreement, and the Holders by accepting the Notes, expressly agree to such terms and provisions and to be bound thereby. In the event of conflict, the provisions of this Agreement shall control.

Section 2.02 Execution and Authentication. No Note shall be valid until a written confirmation of the acceptance of a Subscription Agreement, evidenced by the signature of a duly authorized officer or agent of the Company, is sent to the purchaser thereof and an Account is established by the Registrar for the benefit of the Holder of such Note. Any executive officer of the Company may sign the Notes by manual or facsimile transmission. The signature of an executive officer of the Company shall be conclusive evidence that the Note has been authenticated under this Agreement.

Section 2.03 Registrar and Paying Agent. The Company will serve as Registrar and Paying Agent for the Notes until such time as the Company appoints a successor Paying Agent or Registrar. Requests for transfer or exchange and for payment of Notes shall be made to the Company at 915 W. Imperial Highway, Suite 120, Brea, California 92821. The Registrar shall keep a register of the Notes and of their transfer and exchange, which shall include the name, address for notices and payment of principal and interest to the Holder, principal amount and interest rate for each Note, and such other information as the Company shall maintain with regard to the Holders or the Notes. The Registrar shall not be required to maintain any records beyond those (i) specifically required by the terms of this Agreement, (ii) reasonably requested in writing by the Company and (iii) and as are or become required to be maintained by applicable law.

Any successor Paying Agent will be required to agree in writing that it will hold in trust, for the benefit of the Holders and Collateral Agent, all money held by the Paying Agent for the payment of principal or interest on the Notes. In the event the Company defaults in the payment of any Note, the successor Paying Agent will be required to notify Collateral Agent of such default. As long as such default continues, the Collateral Agent may require a successor Paying Agent to pay all monies held by it to the Collateral Agent for the benefit of the Holders.

Section 2.04 Trust Monies. No escrow account or impound account shall be established to hold proceeds from the sale of the Notes. To the extent Collateral Agent holds funds for the benefit of the Holders, all monies shall be held for the ratable benefit of the Holders of the Notes. If the Collateral Agent holds any funds for the benefit of the Holders of the Notes, monies may be invested in any cash equivalent investments including money market funds, U.S. Treasury Bills and securities and other liquid investments. Any funds held may also be invested in interest bearing time or demand deposit banks (provided that any such deposits are fully insured by the Federal Deposit Insurance Corporation), bonds issued by the U.S. Government or government sponsored enterprises and mutual funds. The Collateral Agent shall be under no liability for interest on any money received by it hereunder except as otherwise expressly provided this Agreement.

Section 2.05 Holder Lists. The Company shall furnish Collateral Agent within thirty (30) days after the end of each calendar quarter a list in such form and of such date as the Collateral Agent may reasonably require of the names and addresses of the Holders. The Collateral Agent shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Registered Note Holders who submit their names and addresses to the Collateral Agent.

Section 2.06 Registration, Transfer and Exchange. The Company will issue Notes in the form of Exhibit B. The Notes are not negotiable instruments and cannot be transferred without the prior written consent of the Company. The Company agrees to maintain office facilities that are open during ordinary business hours where the Notes may be presented for registration, transfer or exchange and where such Notes may be presented for payment in accordance with the terms of the Agreement. Until the Company appoints a successor Registrar, it shall perform all duties as Registrar for the Notes and keep a record of the holders of the Notes and of their transfer or exchange. In the event the Company appoints a successor Registrar, it shall be required to notify Collateral Agent of the name, address and contact information for such Registrar.

Each request made to the Registrar to transfer any Account maintained for the benefit of a Holder shall be:

- (a) made to the Company in writing on a form supplied by the Company;
- (b) duly executed by the current holder of the Account, as reflected on the Registrar's records as of the date of receipt of such transfer request, or his attorney duly authorized in writing;
- (c) accompanied by the written consent of the Company to the transfer; and
- (d) if requested by the Company, an opinion of Holder's counsel (which counsel shall be reasonably acceptable to the Company) that the transfer does not violate any applicable securities laws and/or a signature guarantee.

Upon transfer of a Note, the Company will provide the new Holder with a transaction statement which will evidence the transfer of the Account in the books and records of the Registrar. The Company may assess service charges to a Holder for any registration or transfer or exchange, and the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange). The Company shall treat the individual or entity listed on each Account maintained by the Registrar as the absolute owner of the Note represented thereby for purposes of receiving payments thereon and for all other purposes whatsoever.

Section 2.07 Replacement Notes. If the Holder of a Note claims that a Note has been lost, destroyed or wrongfully taken, the Registrar shall issue and the Company shall authenticate a replacement Note. If required by the Company, an indemnity bond must be sufficient in the judgment of the Registrar to protect the Company, the Collateral Agent, the Paying Agent, and the Registrar from any loss which any of them may suffer if a Note is replaced. The Registrar may charge a reasonable fee for its expenses in replacing a Note.

Section 2.08 Outstanding Notes. Notes outstanding at any time include all Notes issued and authenticated by the Company except for those cancelled by it and those described in



this Section. Notes outstanding include those held by the Company or its affiliates. If a Note is replaced pursuant to Section 2.07 of this Agreement, it ceases to be outstanding unless the Company receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser or its authorized transferee. Once the principal amount and accrued interest due on a Note is paid, it ceases to be outstanding and interest on the Note ceases to accrue.

Section 2.09 Cancellation. The Company at any time may cancel unsold Notes or Notes owned by the Company. The Registrar, at the Company's direction, shall cancel and destroy Notes surrendered for transfer, exchange, payment or cancellation. The Company may not issue new Notes to replace Notes it has paid or delivered to the Registrar for cancellation.

Section 2.10 Treasury Notes. In determining whether the holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any of its affiliates shall be considered as though not outstanding.

Section 2.11 Initial and Periodic Statements.

(a) The Registrar shall provide an initial book entry acknowledgement to initial purchasers and Registered Note Holders within thirty (30) business days of the purchase of a Note.

(b) The Registrar shall send each Holder via U.S. mail not later than ninety (90) Business Days after each year end in which such Holder had an outstanding balance in such holder's Account, a statement which indicates as of the year end preceding the mailing: (i) the balance of such Account; (ii) interest credited; (iii) withdrawals made, if any; (iv) the interest rate payable on such Note; and (v) any other information required on IRS Form 1099. The Company further agrees to provide additional statements as the Holders may reasonably request from time to time. The Company may charge such Holders requesting such statements a fee to cover the charges incurred by the Company in providing such additional statements.

Section 2.12 Defaulted Interest. If and to the extent the Company defaults in a payment of interest on any Notes, it shall pay the defaulted interest to the persons who are Holders on a subsequent special record date. The Company shall fix the record date and payment date. At least thirty (30) days before the record date, the Company shall mail to each Holder a notice that states the record date, the payment date, and the amount of defaulted interest to be paid. The Company may pay defaulted interest in any other lawful manner.

### **ARTICLE III REDEMPTION**

Section 3.01 Redemption of Notes at the Company's Option. At any time and from time to time, the Company, in its sole discretion, may redeem any number or all of the Notes by providing prior written notice as required by Section 3.02 below. The Company need not

redeem the Notes on a pro rata basis or other basis. No interest shall accrue on any Note redeemed after the redemption date for such Note, provided that the Company has timely tendered the redemption price for such Notes. No sinking fund or mandatory redemption obligations have been established pursuant to the terms of the Agreement. The Company may, in its sole discretion, offer the Holders the right to extend the Maturity Date of an existing Note through the redemption of an issued and outstanding Note and issuance of a new Note.

Section 3.02 Notice of Redemption. At least thirty (30) days but not more than sixty (60) days before a Redemption Date, the Company shall mail and first publish notice of redemption to the Holders as provided in Section 10.02 of this Agreement.

The notice shall identify the Notes to be redeemed and shall state:

- (a) the Redemption Date;
- (b) the Redemption Price as specified in the Notes;
- (c) the name and address of the Paying Agent;
- (d) that Notes called for redemption must be surrendered to the Paying Agent to collect the Redemption Price; and
- (e) that interest ceases to accrue on Notes called for redemption on and after the Redemption Date.

Section 3.03 Deposit of Redemption Price. In the event that the Company is not serving as the Paying Agent, on or before the Redemption Date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on that date.

Section 3.04 Effect of Notice of Redemption. Once notice of redemption is given, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice. Each Note to be redeemed must be surrendered to the Paying Agent. Notes shall be purchased at the Redemption Price stated in the notice, plus accrued interest to the Redemption Date.

Section 3.05 Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part only, the Company shall authenticate for the Holder a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.06 Requests for Early Payment. The Company has no obligation to honor an early redemption request by the Holder, but may do so from time to time in its sole discretion. To the extent the Company chooses to honor all or a portion of an early redemption request, the Company may impose such conditions thereon as it deems appropriate, including a redemption penalty in an amount not to exceed six months' interest of the principal balance on any Note.

## ARTICLE IV COVENANTS

Section 4.01 Payment of Notes. The Company shall promptly pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes. In the event the Company appoints a successor Paying Agent, an installment of principal or interest shall be considered paid on the date it is due if the Paying Agent holds on that date money designated for and sufficient to pay the installment. Paying Agent will disburse from funds paid by the Company all payments of principal and interest on Notes and such other sums as are provided herein. Paying Agent shall, if other than the Company, notify the Company of the amounts required to be deposited into said fund at least fourteen (14) days prior to any principal and interest payment date. The Company shall pay interest on overdue principal at the rate borne by the Notes and pay interest on overdue installments of interest at the same rate to the extent lawful.

Section 4.02 Books and Records. The Company covenants and agrees that it will, at all times and from time to time, permit the Collateral Agent and its agents and accountants to have access to and to inspect and make extracts from, the Company's books, accounts, papers, documents and memoranda pertinent to any of the covenants and conditions of this Agreement in respect of the Notes. The Company further agrees to keep proper books of records and account in which full and correct entries shall be made of all dealings or transactions of or in relation to the Notes and the business and affairs of the Company in accordance with generally accepted accounting principles.

Section 4.03 Business Offices. The Company will maintain a business office where the Notes may be surrendered for payment at maturity, transfer, or exchange and where notices to or upon the Company with respect to the Notes may be served. The Company further agrees to furnish Collateral Agent with prompt notice of the location, and any change in the address of such office. If at any time the Company fails to maintain any such required office or agency or shall fail to furnish Collateral Agent with the address thereof, such demands, notices and deliveries may be served at the corporate offices of the Collateral Agent.

Section 4.04 Use of Proceeds. The Company hereby covenants to use the proceeds from the sale of the Notes in accordance with the terms and conditions set forth in the Memorandum.

Section 4.05 Company Existence. Subject to Article V herein, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a limited liability company, its rights and franchises; provided, however, that the Company shall not be required to preserve any right or franchise if it shall determine that the preservation is no longer desirable in the conduct of the Company's business and that the loss will not be disadvantageous in any material respect to the Holders.

Section 4.06      Collateral.

(a) All Collateral delivered to Collateral Agent as pledged assets under this Agreement shall be held by Collateral Agent for the benefit of the Holders. If an Event of Default occurs, the Company agrees to “Deliver”, as such term is defined in Section 1.01 of this Agreement, to Collateral Agent the Required Documentation and such other documents to enable the Collateral Agent to undertake actions on behalf of the Holders with respect to the Collateral. Prior to an Event of Default, the Company shall Deliver possession of the assigned mortgage note in favor of the Collateral Agent or its nominee but shall not be required to Deliver the assigned deed of trust or mortgage for recording in order to pledge such Collateral under the terms of the this Agreement. Unless and until an Event of Default shall occur and is continuing with respect to the Notes, the Company shall be entitled to receive all payments made and received in connection with any mortgage loan held by the Collateral Agent that secures the Notes and any rents, profits, and other income of the Collateral. The Company agrees to deliver to the Collateral Agent an assignment of the mortgage secured promissory notes or debt securities in blank in favor of the Collateral Agent or its nominee and such documents as the Collateral Agent deems necessary to create a perfected first lien security interest in the Collateral. The Collateral Agent shall have no responsibility for filing, recording or perfecting any security interest in the Collateral.

(b) If any of the promissory notes, deeds of trust or mortgages shall be in default in excess one hundred and fifty (150) days, the Company shall provide replacement Collateral for such promissory note, mortgage or deed of trust sufficient to maintain the 105% minimum Mortgage Pool Collateralization Ratio without regard to such defaulted promissory note or debt security. No substitution of replacement Collateral shall be required if the Collateral held by the Collateral Agent satisfies the minimum Mortgage Pool Collateralization Ratio without regard to such defaulted loan or debt security. If an Event of Default has occurred under the Agreement, the Company shall deliver to the Collateral Agent such documents as the Collateral Agent deems necessary to enable the Collateral Agent to exercise its remedies with regard to the Collateral, including any actions needed to enable Collateral Agent to obtain direct payments under the Collateral or to sell any portion of the Collateral to a third party.

(c) Except as otherwise provided in Section 4.06(a) above, at any time and from time to time, upon the written request of the Collateral Agent, and at the expense of the Company, the Company shall promptly cause to be executed or delivered, such further instruments and documents for the purpose of obtaining or preserving the full benefits of the Collateral. Such actions may include the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction. The Company further agrees that it will not change its name or jurisdiction in which it is organized without first giving the Collateral Agent at least thirty (30) days prior written notice thereof and shall have delivered to the Collateral Agent all Uniform Commercial Code financing statements and amendments thereto as the Collateral Agent shall request and taken all other actions deemed necessary by the Collateral Agent to continue its perfected status in the Collateral with the same priority.

(d) In connection with its pledge of the Collateral to the Collateral Agent, the Company shall Deliver to the Collateral Agent:

(1) an Officer's Certificate confirming that all necessary action has been taken to create and perfect a first lien and security interest in favor of the Collateral Agent in the pledged notes, debt securities or Cash;

(2) copies of the filed and recorded UCC-1 financing statement or equivalent form;

(3) at least annually, an Officer's Certificate confirming, to the best of its knowledge, that all necessary action has been taken to maintain a first lien and security interest in favor of the Collateral Agent in the pledged promissory notes or stating that no such action is necessary;

(4) in connection with the release or substitution of Collateral assigned to the Collateral Agent pursuant to the terms of the Agreement, the Company agrees to furnish Collateral Agent with a Certification of Valuation of Collateral that is dated effective as of the date of the release or substitution of Collateral as permitted by this Agreement; and

(5) confirmation that it has identified in its computer files and records a notation or code indicating that the pledged mortgage loans, promissory notes, bonds or other Collateral are owned by the Company and pledged to the Collateral Agent pursuant to this Agreement.

(e) If an Event of Default occurs, the Collateral Agent shall have no right to foreclose on the underlying mortgages or deeds of trust that will serve as Collateral under this Agreement. In such event, Collateral Agent shall be entitled to receive all payments made and received in connection with any mortgage loan held as Collateral and any rents, profits or sales proceeds received from any mortgage loan held as Collateral under this Agreement and exercise any rights as a lender held by the Company pursuant to the mortgage loan documents.

Section 4.07 Lien Created. This Agreement and the Notes are secured by the assets pledged in favor of the Collateral Agent created with the proceeds of the Notes. All real and personal property held by the Collateral Agent, including notes, mortgages, investments and cash balances, have been pledged hereby and a security interest, lien, charge and encumbrance created in favor of Collateral Agent for the benefit of the Holders. The Company agrees to maintain books and records for the Collateral Agent and to segregate all assets of the Collateral Agent and identify them separately from other assets of the Company. Subject to the provisions of Section 4.06(a) above, the Company agrees to execute and deliver to Collateral Agent a separate collateral assignment in blank in favor of Collateral Agent or its nominee of each note and mortgage (which terms shall include deeds of trust, deeds to secure debt, and other securities instruments) which is pledged by the Company and to execute such other and further

assignments and documents as may be reasonably required by Collateral Agent to evidence the security interest created hereby in favor of Collateral Agent.

Section 4.08 Minimum Mortgage Pool Collateralization Ratio. So long as any of the Notes are outstanding, the Company agrees to maintain a minimum Mortgage Pool Collateralization Ratio of at least 105%. In determining this ratio, all cash and liquid assets shall be credited at 100% of such amounts. The 105% ratio, therefore, will apply solely to mortgage loan assets that are pledged to the Collateral Agent. The Company agrees to furnish the Collateral Agent with a monthly Valuation of Eligible Pledged Assets report in the form of Exhibit C hereto, delivered on or before the fifteenth day after the end of the month which will certify the net balance of the Collateral held by the Collateral Agent, the Mortgage Pool Collateralization Ratio and the amount, if any, by which the Mortgage Pool Collateralization Ratio is less than the minimum Mortgage Pool Collateralization Ratio of 105%. To the extent that the Mortgage Pool Collateralization Ratio is less than the minimum Mortgage Pool Collateralization Ratio of 105%, a "mortgage pool deficiency" will exist. The Company shall be required to remedy a mortgage pool deficiency within ninety (90) days after the Pledged Assets Report Date or an event of default will occur.

Section 4.09 No Transfer of Collateral. So long as any of the Notes are outstanding, the Company shall not convey, assign or transfer any part of the Collateral. For purposes of this Section 4.09, the term "transfer" means a sale, assignment, transfer or other disposition, grant of a security interest, lien or encumbrance in any of the Collateral. For purposes of this Section 4.09, the term "transfer" does not include a sale or disposition of any of the Collateral which is contemporaneously substituted for other promissory notes, debt securities or cash or cash equivalents that are eligible to be a part of the Collateral and enable the Company to satisfy the 105% minimum Mortgage Pool Collateralization Ratio.

Section 4.10 Compliance Certificate.

(a) Quarterly Certifications. On or before the fifteenth day after the end of the preceding quarter, the Company agrees to deliver to the Collateral Agent an Officer's Certificate confirming, to the best of its knowledge and belief, that all payments of interest and principal due on the Notes have been made in a timely manner for the preceding month. When delivering its monthly Officer's Certificate, the Company further agrees to furnish the Collateral Agent with a report which summarizes the payments of principal and interest made by the Company to the Note holders. The Company's obligation to furnish the monthly compliance report and Officer's Certificate set forth in this Section 4.10(a) shall remain in effect during such time as the Company serves as Paying Agent for the Notes.

(b) Annual Certifications. The Company shall deliver to the Collateral Agent within one hundred twenty (120) days after the end of each fiscal year of the Company an Officer's Certificate stating that the (i) Company is in compliance with the covenants of this Article IV and terms and conditions of the Agreement and (ii) that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this

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Agreement and is not in default in the performance or observance of any of the terms, conditions and provisions hereof. To the extent that an Event of Default has occurred under this Agreement, the Officer's Certificate shall describe what action that has been taken or is proposed to be taken by the Company with respect to such Event of Default.

Section 4.11 Merger, Consolidation, Sale of Assets or Liquidation. While any Note is outstanding, the Company shall not (i) consolidate or merge with or into any other person or entity (whether or not the Company is the surviving entity); (ii) adopt a plan of liquidation that provides for the sale, lease, conveyance or disposition of all or substantially all of the assets of the Company; (iii) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or disposition and of the remaining assets of the Company to the equity holders of the Company; or (iv) the sale, assignment, transfer, lease or disposition of all or substantially all of the assets of the Company, unless, immediately after such transaction no Event of Default under this Agreement exists and the Company is the entity surviving such transaction or if the entity surviving the transaction is not the Company, it makes provision for the satisfaction of the Company's obligations to the Holders or assumes such obligations by contract or operation of law. Notwithstanding anything in this Section 4.11 to the contrary, the Company shall be permitted to sell, transfer, assign or pledge any of its mortgage loan assets in the ordinary course of its business operations in financing its mortgage loan investments, including, but not limited to, warehouse lines of credit and credit financing facilities; provided, however, that it continues to comply with its minimum collateralization covenant set forth in Section 4.08 herein.

Section 4.12 Financial Covenant. The Company covenants and agrees, so long as any of the Notes are outstanding, that it will maintain a positive net worth, which includes all equity interests held by its common and preferred equity owners and any subordinated loan or credit facility that is expressly subordinated to the Notes.

Section 4.13 SEC Reports. The Company agrees to make available to the Holders, upon request, copies of periodic and annual reports and of the information, documents and other reports which the Company may be required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. To the extent it files such reports with the SEC, the Company agrees to file such reports using the Electronic Data Gathering Analysis and Retrieval System (EDGAR) and make such reports available for review by the Collateral Agent or any Holder.

Section 4.14 Restrictions on Payments. So long as any of the Notes are outstanding, the Company shall not declare or pay any dividends or make any distributions of cash or other property to its common and preferred equity owners unless no Event of Default with respect to the Notes then exists or would exist immediately following the declaration or payment of such dividend or other payment. The Company further covenants and agrees that it will not, while any Note is outstanding, (i) purchase, redeem, or otherwise acquire for value any equity interest of the Company; or (ii) voluntarily purchase, redeem or otherwise acquire any indebtedness of the Company that is subordinated in right of payment to the Notes unless no Event of Default shall have occurred and be continuing or would occur as a consequence thereof. Nothing in this

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Section 4.14 shall restrict the Company from refinancing, restructuring, making payments of principal and interest on or delivering substitute mortgage loans or other loan participation interests to meet the Company's obligations on its Credit Facilities.

Notwithstanding anything in this Section 4.14 to the contrary, the payment of interest or principal on, or the purchase, redemption or other acquisition or retirement for value prior to the stated maturity of any of the Company's Class A Notes, its Class 1 Notes or its Class 1A Notes shall not constitute a prohibited payment under this Agreement. In the event that the Company (i) makes an investment in the Company, an affiliated entity or subsidiary; (ii) redeems, retires or acquires any equity interest in debt obligations of the Company that are subordinate in interest to the Holders; or (iii) redeems, acquires or retires any equity interest in the Company, such investment or acquisition will not be deemed to be a restricted payment under this Section 4.14 if the Company concurrently delivers equity interests in the Company, or proceeds from the sale of such equity interests thereof, as payment for such purchase.

Section 4.15 Collateral Agent Compensation and Expenses. The Company shall pay the Collateral Agent's compensation and expenses, reasonably incurred in the ordinary course of business as provided for in Section 7.08 and the Collateral Agent shall look only to the Company for such payment except as the Holders may from time to time otherwise agree.

Section 4.16 Servicing Agent for Mortgage Loans. The Collateral Agent and the Company hereby acknowledge that the Company may from time to time appoint a servicing agent to serve as custodian and bailee for a pledged mortgage loan or bond on behalf of the Company and the Collateral Agent, for the benefit of the Holders. If a servicing agent is appointed for such pledged mortgage loans or bonds, it will maintain exclusive custody of the mortgage files for each pledged loan or bond for the benefit of the Collateral Agent and the Holders until an Event of Default occurs and fails to be cured pursuant to the terms of the Agreement. So long as no Event of Default shall have occurred and be continuing, the Company or its designated servicing agent shall be entitled to service and shall continue to service the mortgage loans pledged as Collateral under this Agreement. Collateral Agent hereby acknowledges that the Company may continue to have the mortgage loans that will serve as Collateral be serviced by its current servicer pursuant to the terms of its ECCU Loan Servicing Agreement or by the Company under its current servicing agreement. It shall be the obligation of the Company to provide sufficiently detailed and timely (not less frequently than monthly) reports to the Collateral Agent, evidencing its receipt of all payments on account for any pledged mortgage loans that are included in the Collateral.

Section 4.17 Maximum Amount of Notes. The Company shall not issue any Notes if, after giving effect to such issuance, the unpaid principal amount of Notes outstanding at any time would have an aggregate unpaid balance exceeding \$80,000,000.



**ARTICLE V**  
**SUCCESSOR COMPANY**

Section 5.01 Merger or Consolidation. The Company shall not consolidate with or merge into, or transfer all or substantially all of its assets to, another entity or corporation unless the resulting, surviving or transferee entity assumes by supplemental Agreement all the obligations of the Company under the Notes and this Agreement.

**ARTICLE VI**  
**DEFAULTS AND REMEDIES**

Section 6.01 Events of Default. An “Event of Default” occurs if:

(a) the Company defaults in the payment of interest on any Note when the same becomes due and payable and the default continues for a period of thirty (30) days;

(b) the Company defaults in the payment of the principal of any Note when the same becomes due and payable at maturity, upon redemption or otherwise and the default continues for a period of thirty (30) days;

(c) any representation, warranty, certification or statement made by the Company under or in connection with the Agreement in any certificate or report delivered by the Company pursuant to any transaction document shall prove to be untrue in any material respect when made or deemed made and delivered, and such representation, warranty, certification, statement, information or report continues to be untrue for a period of thirty (30) days after the Company is notified of such error;

(d) the Company fails to comply with any of its other agreements in the Notes or this Agreement and the default continues for the period of thirty (30) days after the Company is notified of such default;

(e) the Company defaults in its obligations described in Section 4.06 and 4.08 herein and such default continues for a period of ninety (90) days after the Company is notified of such default;

(f) the Agreement shall for any reason (other than pursuant to its express terms) cease to create a valid and enforceable perfected security interest, free and clear of any adverse claim in the Collateral and the Company fails to cure such deficiency within ninety (90) days after the Company is notified of such failure; and

(g) the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

- (iii) consents to the appointment of a custodian of it or for any substantial part of its property;
- (iv) makes a general assignment for the benefit of its creditors;
- (v) fails generally to pay its debts as they become due; or
- (vi) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
  - (vii) is for relief against the Company in an involuntary case;
  - (viii) appoints a conservator, receiver, custodian or liquidating agent for the Company or for any substantial part of its property; or
  - (ix) orders the liquidation of the Company and the order or decree remains unstayed and in effect for ninety (90) days.

The term “Bankruptcy Law” means Title 11, United States Code or any similar Federal or State law for the relief of debtors. The term “Custodian” means any receiver, Collateral Agent, assignee, liquidator or similar official under any Bankruptcy Law.

For purposes of this Section 6.01, a default under clauses (c) - (f) is not an Event of Default until the Collateral Agent or the Holders of a majority in interest of the principal amount owed on the Notes notifies the Company of the default and the Company fails to cure the default within the applicable cure period set forth in such notice. The notice must specify the default, demand that it be remedied and state that the notice is a “Notice of Default.”

Section 6.02 Acceleration. If an Event of Default occurs and is continuing, then the Collateral Agent may, and if the Holders of a majority in interest of the principal amount of the Notes then outstanding in writing to the Company and Collateral Agent so request, shall declare the principal and accrued interest on all the Notes due and payable immediately. Any notice of acceleration of the unpaid balance of the Notes sent by the Collateral Agent shall be given to the Company and the servicer of any of the mortgage loans or bonds held by the Collateral Agent as Collateral. If an Event of Default occurs and the Collateral Agent has declared all principal on the Notes to be due under the terms of the Agreement, the Company may cure the default if:

- (a) the Company does so prior to the sale of any of the Collateral;
- (b) any other defaults under this Agreement have been cured (except for nonpayment of principal or interest that has become due solely because of the acceleration);
- (c) the expenses of the Collateral Agent and its reasonable attorneys’ fees have been paid; and

(d) any funds advanced by the Collateral Agent after an Event of Default occurs and is continuing have been repaid with interest at the Default Rate of Interest.

Section 6.03 Sale of Collateral.

(a) If an Event of Default has occurred and has not been cured as provided herein, the Collateral Agent shall have the right, without further notice to the Company, to exercise all rights and remedies afforded to a secured party under the Uniform Commercial Code. Without limiting the rights of the Collateral Agent under this section, the Collateral Agent may (a) remove all of the Collateral and all books, records, invoices, and other documentation relating thereto, and (b) collect, receive, appropriate and realize upon the Collateral and may sell, lease, assign, or provide options to purchase any portion of the Collateral upon such terms and conditions as it may deem advisable and at such prices it may deem best. The Collateral Agent may require the Company to assemble the Required Documentation for the Collateral and make it available to the Collateral Agent at a place to be designated by the Collateral Agent reasonably convenient to the parties, and in such event the Company agrees to make available to the Collateral Agent all of the Company's facilities for the purposes of removing or taking possession of the Collateral.

(b) The Collateral Agent shall upon receipt of written requests from fifty percent (50%) in principal amount of all the outstanding Notes, sell, assign, lease, or otherwise dispose of the Collateral, in whole or in part, at public or private sale upon terms and conditions established by the Collateral Agent. If any notice of a proposed sale or other disposition of Collateral under Section 6.03 herein shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. Any delay or omission by the Collateral Agent or the Holders in exercising any right or remedy occurring upon an Event of Default shall not constitute a waiver of any right held by the Collateral Agent or the Holders under this Agreement or acquiescence in the Event of Default.

(c) The Collateral Agent need not give such notice, however, with respect to Collateral which threatens to decline speedily in value or is of a type customarily sold on a recognized market. At any public sale or disposition of the Collateral the Collateral Agent shall have the right to bid and become the purchaser of the whole or any part of the Collateral, free of any right of redemption in the Company. The proceeds from any sale or disposition of the Collateral shall be applied first to all expenses. In the event any such remaining proceeds are sufficient to pay the Obligations, any surplus shall be remitted to the Company.

(d) The Company will execute and Deliver such documents and take such other action as the Collateral Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with applicable law. Upon any such sale, the Collateral Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Company which may be waived. To the extent permitted by applicable law, the Company hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The Collateral Agent,

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instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the security interests in the Collateral and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

Section 6.04 Covenant to Pay Collateral Agent Amounts Due on the Notes. The Company covenants that, if an Event of Default has occurred and is continuing, the Company will, upon written request of the Collateral Agent, cure such Event of Default and pay forthwith for the benefit of the Holders the whole amount due with such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Collateral Agent, its agents and counsel and all other amounts due to the Collateral Agent hereunder. If the Company fails to cure such Event of Default and pay such amounts forthwith upon such demand, the Collateral Agent, in its own name and as Collateral Agent under this Agreement, shall be entitled to sue for and recover judgment against the Company and any other obligor on the Notes for the amount so due and unpaid pursuant to the terms of the Notes.

Section 6.05 Appointment of Collateral Agent as Attorney-in-Fact. To facilitate the exercise by the Collateral Agent of the rights and remedies set forth in this Section, the Company hereby constitutes the Collateral Agent or its agents, or any other person whom the Collateral Agent may designate, as attorney-in-fact for the Company, at the Company's own cost and expense, to exercise all or any of the following powers, which being coupled with an interest, shall be irrevocable, shall continue until all Obligations have been paid in full and shall be in addition to any other rights and remedies that the Collateral Agent may have: (a) to remove from any premises where they may be located any and all documents, instruments, files, and records relating to Collateral and any receptacles and cabinets containing the same, as may be necessary to properly administer and control the Collateral or the collections and realizations thereon; (b) to receive, open, and dispose of all mail specifically related to the Loan Fund that is addressed to the Company and to notify postal authorities to change the address for delivery thereof to such address as the Collateral Agent may designate; and (c) to take or bring, in the Collateral Agent's name or in the name of the Company, all steps, actions, suits, or proceedings deemed by the Collateral Agent necessary or desirable to effect collection of or to realize upon the Collateral.

Section 6.06 Other Remedies. If an Event of Default occurs and is continuing, the Collateral Agent may pursue any available remedy by proceeding at law or in equity to collect the payment of principal or interest on the Notes or to enforce the performance of any provision of the Notes or this Agreement including, without limitations, all rights and remedies available to a secured party under the Uniform Commercial Code. The Collateral Agent may maintain a proceeding even if it does not possess any of the mortgage notes or bonds that have been pledged to the Collateral Agent or does not produce any of such mortgage notes or bonds in the proceedings. A delay or omission by the Collateral Agent or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative to the extent permitted by law.

Section 6.07 Waiver of Past Defaults. Subject to Section 9.02 of this Agreement, the Holders of a majority in principal amount of the Notes by notice to the Collateral Agent may waive an existing Default or Event of Default and its consequences. In the event that the Holders of a majority in principal amount of the then outstanding Notes waive an existing Event of Default or continuing Event of Default, such waiver shall be binding on any non-consenting Holder. When a Default or Event of Default is waived, it is cured and stops continuing. No such waiver shall extend to any subsequent or other Event of Default.

Section 6.08 Appointment of Collateral Agent; Default. If an Event of Default occurs and is continuing, then in every such case the Holders by a majority vote of the principal balance may remove the Company's appointed Collateral Agent and appoint a new Collateral Agent. Upon delivery of the properly executed written instrument evidencing the appointment of the new Collateral Agent and the latter's acceptance of such appointment by due execution of the Agreement, the power and rights of the Collateral Agent shall commence under this Agreement.

Section 6.09 Control by Majority. The Holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Collateral Agent or exercising any trust or power conferred on it, provided, that indemnification for the Collateral Agent's fees and expenses shall be furnished. The Collateral Agent, however, may refuse to follow any direction that conflicts with law or this Agreement, that is unduly prejudicial to the rights of other Registered Note Holders, or that may involve the Collateral Agent in personal liability.

Section 6.10 Limitation on Suits. A Registered Note Holder may not pursue any remedy with respect to this Agreement or the Notes unless:

- (a) the Holder gives to the Collateral Agent written notice of a continuing Event of Default;
- (b) the Holders of at least a majority in principal amount of the then outstanding Notes make a written request to the Collateral Agent to pursue the remedy;
- (c) such Holder or Holders offer to the Collateral Agent indemnity satisfactory to the Collateral Agent against any loss, liability or expense;
- (d) the Collateral Agent does not comply with the request within sixty (60) days after receipt of the request and the offer of indemnity; and
- (e) during such sixty (60) day period, the Holders of a majority in principal amount of the then outstanding Notes do not give the Collateral Agent instructions inconsistent with the request.

A Registered Note Holder may not use this Agreement to prejudice the rights of another Holder or to obtain a preference or priority over any other Note Holder.

Section 6.11 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Agreement, the right of any Registered Note Holder to receive payment of principal and interest on the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Registered Note Holder.

Section 6.12 Liability of Company. If an Event of Default occurs under Section 6.01 (a) or (b) and is continuing, the Collateral Agent shall be authorized to take any and all actions it deems appropriate to collect the payment of principal and interest on the Notes or to enforce the performance of any of the provisions of the Notes or this Agreement. To the extent an Event of Default has occurred and has not been cured by the Company, the Collateral Agent may, but need not, elect to maintain possession of the Collateral. The Collateral Agent shall be entitled to obtain and rely upon the opinion of independent consultants, lenders, accountants or other financial advisers that are familiar with the church loan market as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

In the event that payments received by the Collateral Agent from the disposition of, or collection of proceeds arising from, the Collateral as a result of any Event of Default are insufficient to satisfy the full amount owed on the Notes, the Collateral Agent shall be authorized to recover a judgment in its own name and as Collateral Agent of an express trust against the Company for the amount of principal and interest remaining unpaid on the Notes and, to the extent lawful, interest and costs and expenses of collection, including expenses, disbursement and advances made by the Collateral Agent, its agents and counsel. Notwithstanding the preceding sentence, the Company's obligation for any amounts due on the Notes which remain unpaid after the exhaustion of remedies available against the Collateral shall be subordinate in right of payment and subject to the prior payment in full of all claims for principal and interest of all current or future holders of the Company's Class A Notes, its Class 1 Notes or its Class 1A Notes arising out of any occurrence prior to the date on which a payment under the Notes is, or is to be, made.

Section 6.13 Collateral Agent May File Proofs of Claim. The Collateral Agent may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Collateral Agent and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property. Nothing in this Section 6.13 shall be deemed to authorize the Collateral Agent to authorize or consent to accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Collateral Agent to vote in respect of the claim of any Holder in such proceeding.

Section 6.14 Priorities. If the Collateral Agent collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Collateral Agent for amounts due under Section 7.08 of this Agreement;

Second: to the Registered Note Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Collateral Agent may fix a record date and payment date for any payment to the Registered Note Holders.

Section 6.15 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Collateral Agent for any action taken or omitted by it as Collateral Agent, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Collateral Agent, a suit by a Registered Note Holder pursuant to Section 6.07 of this Agreement, or a suit by Holders holding more than ten percent (10%) in principal amount of the then outstanding Notes.

Section 6.16 Rights to Settle or Compromise. Collateral Agent may not waive or make any settlement or compromise concerning the rights of Holders, including in regard to payments of principal or interest, unless it is approved by a majority in interest of the Holders. Any waiver, settlement or compromise so approved shall be binding upon all the Holders, except if and only if required by law, the Collateral Agent may provide a procedure for any Holder so desiring to remove itself from the group settlement and to allow the Holder opting out of the group settlement to proceed to enforce its rights individually and as it sees fit.

Section 6.17 Representation of All Holders. In any proceedings brought by the Collateral Agent (and also any proceedings involving the interpretation of any provision of this Agreement to which the Collateral Agent shall be a party), the Collateral Agent shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holder a party to any such Proceedings.

Section 6.18 Notice of Event of Default. As soon as practicable after the occurrence of any Event of Default hereunder, the Company shall transmit notice thereof by mail to all Holders of the Notes, as their names and addresses appear on the books and records of the Company. Upon the occurrence of an event of default, each Holder shall be entitled to receive from the Collateral Agent or the Company, a list of all Holders of the Notes.

Section 6.19 Agent May Enforce Claims Without Possession of the Notes. All rights of action and claims under this Agreement, or documents related thereto, may be prosecuted and enforced by the Collateral Agent without the possession of any Notes or the production thereof in a proceeding relating thereto, and any such proceeding instituted by the Collateral Agent shall be brought in its own name as Collateral Agent and the agency under this Agreement. Any

recovery of judgment shall, after provision for the payment of reasonable compensation, expenses, disbursements and advances of the Collateral Agent, its agents and counsel and all other amounts due to the Collateral Agent hereunder, be for the ratable benefit of the Holders of Notes (based on the aggregate amount of unpaid principal and interest due each Holder on such date) in respect of which such judgment has been recovered.

## ARTICLE VII COLLATERAL AGENT

### Section 7.01 Duties of Collateral Agent.

(a) If an Event of Default has occurred and is continuing, the Collateral Agent shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) If an Event of Default has occurred and is continuing, the Holders of a majority in interest of the principal amount of the Notes may remove the Collateral Agent and appoint a substitute Collateral Agent.

(c) Except during the continuance of an Event of Default:

(i) The Collateral Agent need perform only those duties that are specifically set forth in this Agreement and no others. No implied covenants or obligations shall be read into this Agreement against the Collateral Agent.

(ii) In the absence of bad faith on its part, the Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, reports, statements, documents or opinions furnished to the Collateral Agent and conforming to the requirements of this Agreement. The Collateral Agent, however, shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Agreement.

(d) The Collateral Agent may not be relieved from liability for its own gross negligent action, its own negligent failure to act, or its own willful misconduct in each case, as finally adjudicated by a court of law, except that:

(i) This paragraph does not limit the effect of paragraph (c) of this Section.



(ii) The Collateral Agent shall not be liable for any error of judgment made in good faith by, unless it is proved that the Collateral Agent was negligent in ascertaining the pertinent facts.

(iii) The Collateral Agent shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Sections 6.06 and 6.07 of this Agreement.

(e) Every provision of this Agreement that in any way relates to the Collateral Agent is subject to paragraphs (a), (c) and (d) of this Section.

(f) The Collateral Agent may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense. No provision of this Agreement shall require Collateral Agent to expend or risk its own funds or incur an liability.

(g) The Collateral Agent shall not be liable for interest on any money received by it except as otherwise agreed with the Company.

#### Section 7.02 Rights of Collateral Agent.

(a) The Collateral Agent may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Collateral Agent need not investigate any fact or matter stated in the document. The Collateral Agent shall have no duty to inquire as to the performance of the Company's obligations and covenants set forth in Article IV herein. In addition, the Collateral Agent shall not be deemed to have knowledge of any default or any Event of Default unless Collateral Agent has received written notice thereof from the Company or any Holder or obtained actual knowledge.

(b) Before the Collateral Agent acts or refrains from acting, it may require an Officers' Certificate and/or an opinion of counsel. The Collateral Agent shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate and/or opinion.

(c) The Collateral Agent may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Collateral Agent shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) Unless otherwise specifically provided for in this Agreement, any demand, notice, direction or request made by the Company shall be sufficient if signed by an officer of the Company.

(f) The Collateral Agent shall not be responsible for the sufficiency of the Collateral.

(g) The Collateral Agent assumes no duty to ensure the procuring of insurance on the Collateral or the payment of taxes and assessments with respect thereto.

(g) No provision of this Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it in its sole discretion.

(h) The permissive rights of the Collateral Agent to do things enumerated in this Agreement shall not be construed as a duty.

(i) The rights of the Collateral Agent and limitation of liability enumerated herein and in Section 7.01 shall extend to actions taken or omitted in its role as assignee of the Company under any Collateral held by the Collateral Agent.

Section 7.03 Collateral Agent's Disclaimer. The Collateral Agent makes no representation as to the validity or adequacy of this Agreement or the Notes and it shall not be accountable for the Company's use of the proceeds from the Notes, any money paid to the Company or upon the Company's direction. In addition, the Collateral Agent shall not be responsible for any statement in the Notes, or in the Memorandum or any document used in the sale of the Notes, other than any statements provided in writing by the Collateral Agent for use in the Memorandum.

Section 7.04 Individual Rights of Collateral Agent. The Collateral Agent in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Collateral Agent. Any Paying Agent or Registrar may do the same with like rights. The Collateral Agent, however, must comply with Sections 7.10 and 7.11 of this Agreement.

Section 7.05 Notice of Defaults. If an Event of Default occurs and is continuing, and if it is known to the Collateral Agent, the Collateral Agent shall mail and first publish as provided in Section 10.02 notice of the default to the Holders, within ninety (90) days after it occurs or first becomes known to Collateral Agent advising that an event of default has occurred and the general nature of such default. Except in the case of a default in payment on any Note, the Collateral Agent may withhold the notice if and so long as it determines in good faith that withholding the notice is in the best interests of the Registered Note Holders. At least five Business Days prior to the mailing of any notice to Holders under this Section 7.05, the Collateral Agent shall provide the Company with notice of its intent to mail such notice.

Section 7.06 Company Statements. Collateral Agent makes no representations as to the value or condition of the Notes, or as to the condition of or value of the Collateral, or the

sufficiency of this Agreement or of the Notes. Any recitals or statement of facts made by the Company in the Notes, the Memorandum or this Agreement shall be taken as the statement of the Company and the Collateral Agent assumes no responsibility for the accuracy of such statements.

Section 7.07 Dealings with Company. The Collateral Agent may become the Holder or pledgee of the Notes and may otherwise deal with the Company with the same rights it would have if it were not the Collateral Agent. In the Event of Default, the substitute Collateral Agent may not be an affiliate of the Company.

Section 7.08 Compensation and Indemnity. The Company shall pay to the Collateral Agent reasonable compensation for its services and shall reimburse the Collateral Agent upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses may include the reasonable compensation and expenses of the Collateral Agent's agents and attorneys.

The Company shall indemnify the Collateral Agent against any loss or liability incurred by it and to hold it harmless against any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Collateral Agent shall notify the Company promptly of any claim for which it may seek indemnity. The obligations of the Company hereunder shall survive the resignation or removal of the Collateral Agent or the discharge of this Agreement.

The Company shall defend the claims and the Collateral Agent shall cooperate in the defense. The Collateral Agent may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Collateral Agent through its own negligence or bad faith.

To secure the Company's payment obligations in this Section, the Collateral Agent shall have a lien prior to the Notes on the Collateral. Such lien shall survive the satisfaction and discharge of this Agreement. The Collateral Agent shall furnish the Company with notice of its intent to exercise its rights on such lien.

Section 7.09 Replacement of Collateral Agent. The Collateral Agent may resign at any time by giving 30 days' notice thereof to the Company. If an instrument of acceptance by a successor Collateral Agent shall not have been delivered to the Collateral Agent within 30 days after the giving of such notice of resignation, the resigning Collateral Agent may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Collateral Agent. The Holders of a majority in principal amount of the Notes may remove the Collateral Agent by so notifying the removed Collateral Agent in the Event of Default under this Agreement. The Company or the Holders of a majority in principal amount of the Notes may appoint a successor Collateral Agent with the Company's consent at any time with 30 days'

notice delivered to the Collateral Agent and the Company; provided, however, that no Event of Default has occurred and is continuing.

The Company may remove the Collateral Agent if:

- (a) the Collateral Agent fails to comply with Section 7.01 of this Agreement;
- (b) the Collateral Agent is adjudged a bankrupt or an insolvent;
- (c) a receiver or other public officer takes charge of the Collateral Agent or its property;
- (d) the Company elects to appoint a successor Collateral Agent, provided such replacement Collateral Agent is qualified to serve in such capacity; or
- (e) the Collateral Agent otherwise becomes incapable of acting.

If the Collateral Agent resigns or is removed or if a vacancy exists in the office of Collateral Agent for any reason, the Company shall promptly appoint a successor Collateral Agent.

A successor Collateral Agent shall deliver a written acceptance of its appointment to the retiring Collateral Agent and to the Company. Immediately after that, the retiring Collateral Agent shall transfer all property held by it as Collateral Agent to the successor Collateral Agent, the resignation or removal of the retiring Collateral Agent shall become effective, and the successor Collateral Agent shall have all the rights, powers and duties of the Collateral Agent under this Agreement. Upon request of any such successor Collateral Agent, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Collateral Agent all such estates, properties, rights, powers and trusts.

The retiring Collateral Agent shall cause notice of each resignation and each removal of the Collateral Agent and each appointment of a successor Collateral Agent to be mailed by first-class mail, postage prepaid, to the Holders. Each notice shall include the name of the successor Collateral Agent and the address of the successor Collateral Agent. A successor Collateral Agent shall give notice of its succession to each Holder as provided in Section 10.02 of this Agreement. Any sums owing to the Collateral Agent or any successor Collateral Agent shall continue to be an obligation of the Company after replacement of such Collateral Agent.

If a successor Collateral Agent does not take office within sixty (60) days after the retiring Collateral Agent resigns or is removed, the retiring Collateral Agent, the Company or the Holders of a majority in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent. If the Collateral Agent fails to comply with Article VII of this Agreement, any Registered Note Holder may petition any court of competent jurisdiction for the removal of the Collateral Agent and the appointment of a successor Collateral Agent.

Section 7.10 Successor Collateral Agent by Merger. If the Collateral Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust assets to another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Collateral Agent. The Collateral Agent shall provide the Company with notice of such merger or other event prior to or as soon as practical after the occurrence thereof.

Section 7.11 No Recourse Against Officers or Employees of Collateral Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Agreement or any other Note shall be had against any officer, shareholder, director or employee, as such, of the Collateral Agent, it being expressly understood that the obligations, duties and agreements of the Collateral Agent contained in this Agreement and any other Note are solely corporate in nature.

Section 7.12 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Collateral Agent to take any action under this Agreement, the Company shall furnish, if required by Collateral Agent, the following documents:

- (a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and
- (b) an opinion of counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 7.13 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

- (a) a statement that the person making such certificate or opinion has read such covenant or condition;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 7.14 Appointment of Collateral Agent After Event of Default Is Cured. At such time as the moment any Event of Default is cured or deemed cured pursuant to this

Agreement, the appointment of a Collateral Agent shall terminate and the Company shall have the right to appoint a replacement Collateral Agent.

## **ARTICLE VIII DISCHARGE OF AGREEMENT**

Section 8.01 Termination of Company's Obligations. This Agreement shall cease to be of further effect (except that the Company's obligations under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 7.08 and 7.09 shall survive until the Notes are no longer outstanding) when all outstanding Notes have been paid in full and the Company has paid all sums payable by the Company hereunder. In addition, the Company may terminate all of its obligations under this Agreement if:

(a) the Company irrevocably deposits in trust with the Collateral Agent or at the option of the Collateral Agent, with a Collateral Agent reasonably satisfactory to the Collateral Agent and the Company under the terms of an irrevocable trust agreement in form and substance satisfactory to the Collateral Agent, money or U.S. Government Obligations sufficient to pay principal and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, provided that (i) the Collateral Agent of the irrevocable trust shall have been irrevocably instructed to pay such money or the proceeds of such U.S. Government Obligations to the Collateral Agent and (ii) the Collateral Agent shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of said principal and interest with respect to the Notes;

(b) the Company delivers to the Collateral Agent an Officer's Certificate stating that all conditions precedent to satisfaction and discharge of this Agreement have been complied with; and

(c) no Event of Default or event (including such deposit) which, with notice or lapse of time, or both, would become an Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit.

Then, this Agreement shall cease to be of further effect (except as provided in this paragraph), and the Collateral Agent, on demand of the Company, shall execute proper instruments acknowledging confirmation of and discharge under this Agreement.

Section 8.02 Application of Trust Money. The Collateral Agent shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01 of this Agreement. It shall apply the deposited money and the money from U.S. Government Obligations in accordance with this Agreement to the payment of principal and interest on the Notes.

## **ARTICLE IX**

## AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01 Without Consent of Holders. The Company and the Collateral Agent may from time to time amend or supplement this Agreement or the Notes without notice to or consent of any Registered Note Holder:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to make any changes that do not adversely affect the rights of any Registered Note Holder;
- (c) grant to or confer upon the Collateral Agent for the benefit of the Holders any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Holders or the Collateral Agent;
- (d) add to the covenants and agreements of the Company in this Agreement other covenants and agreements thereafter to be complied with by the Company or to surrender any right or power herein reserved to or conferred upon the Company; or
- (e) to provide for additional Notes issued by the Company hereunder pursuant to Section 9.07 hereof.

Immediately after the execution of such supplement to this Agreement for any of the purposes set forth above, the Collateral Agent shall cause a notice of execution of such supplement to be mailed, postage pre-paid, to the Holders. Such notice shall briefly summarize the nature of the supplemental agreement and shall state that copies thereof are on file at the office of the Collateral Agent for inspection by the Holders. Any failure to mail such notice on the part of the Collateral Agent shall not affect the validity of the supplement to this Agreement.

Section 9.02 With Consent of Holders. The Company and the Collateral Agent may from time to time amend or supplement this Agreement or the Notes without notice to any Registered Note Holder but with the written consent of the Holders of not less than a majority in principal amount of the Notes. The Holders of a majority in principal amount of the Notes may waive compliance by the Company with any provision of this Agreement or the Notes without notice to any Registered Note Holder. Without the consent of each Registered Note Holder affected, however, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04 of this Agreement, may not:

- (a) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (b) reduce the rate or extend the time for payment of interest on any Note;
- (c) reduce the principal of or extend the fixed maturity of any Note;

- (d) make any Note payable in money other than that stated in the Note;
- (e) Create a lien upon or pledge of the money or other assets pledged to the payment of the Notes hereunder, or the release of any such assets from the lien of this Agreement;
- (f) create preference or priority of any Note over any other Notes; or
- (g) waive a default on payment of principal or of interest on any Note.

If at any time the Company shall request the Collateral Agent to enter into a Supplemental Agreement for any of the purposes of this Section 9.02, the Collateral Agent, at the expense of the Company, shall cause notice of the proposed execution of such Supplemental Agreement to be mailed, postage prepaid, to the Holders. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that copies thereof are on file at the designated office of the Collateral Agent for inspection by Holders. The Collateral Agent shall not, however, be subject to any liability to any Holders by reason of its failure to mail the notice required by this Section 9.02, and any such failure shall not affect the validity of such Supplemental Agreement when consented to and approved as provided in this Section 9.02.

Subject to this Section 9.02, if, at the time of the execution of such Supplemental Agreement, the holders of a majority in principal amount of the Notes then outstanding shall have consented to and approved the execution thereof as herein provided, no Holder shall have any right to object to the execution of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Collateral Agent or the Company from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.03 Revocation and Effect of Consents. A consent to an amendment, supplement or waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. Any such Holder or subsequent Holder, however, may revoke the consent as to his Note or portion of a Note. The Collateral Agent must receive the notice of revocation before the date the amendment, supplement or waiver becomes effective. The Company may fix a record date for determining which Holders must consent to such amendment or waiver.

After an amendment, supplement or waiver becomes effective, it shall bind every Note Holder unless it makes a change described in clauses (b), (c), (d), or (e) of Section 9.02 of this Agreement. In that case the amendment, supplement or waiver shall bind each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note.

Section 9.04 Notation on or Exchange of Notes. If an amendment, supplement or waiver changes the terms of a Note, the Company may require the Holder of a Note to deliver it



to the Company. The Company shall place an appropriate notation on the Note about the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Note shall be authorized to issue and authenticate a new Note that reflects the changed terms.

Section 9.05 Supplemental Agreements. Any Supplemental Agreement executed in accordance with the provisions of this Article IX shall thereafter form a part of this Agreement, and all of the terms and conditions contained in any such Supplemental Agreement as to any provision authorized to be contained therein shall be, and be deemed to be part of the terms and conditions of this Agreement for any and all purposes. This Agreement shall be, and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Agreement of the Company, the Collateral Agent and Holders shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. Express reference to any Supplemental Agreement shall be made in the text of any Notes authenticated after the execution of such Supplemental Agreement.

Section 9.06 Collateral Agent to Sign Amendments. The Collateral Agent shall sign any amendment, supplement or waiver authorized pursuant to this Article if the amendment, supplement or waiver does not adversely affect the rights of the Collateral Agent. If it does, the Collateral Agent may but need not sign it. In signing or refusing to sign such amendment or supplemental Agreement, the Collateral Agent shall be entitled to receive indemnification in taking such action and shall be fully protected in relying upon an Officer's Note or opinion of counsel as conclusive evidence that such amendment or supplemental Agreement is authorized or permitted by this Agreement, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

Section 9.07 Future Notes. The Company shall have the right to issue additional Notes to be secured hereby, provided the Company is not in default under any provision of this Agreement. Such additional Notes shall be issued pursuant to resolution duly adopted by the governing body of the Company; provided, however, that the additional Notes are issued pursuant to a supplement to this Agreement and have equal standing and priority with the original series of Notes issued under this Agreement. An executed copy of said Agreement, signed by the Collateral Agent, shall serve as a modification of this Agreement. Such additional Notes shall be of equal standing and priority with the original series of Notes secured hereby if all proceeds from the sale of such additional Notes become part of the Loan Fund and are used to pay the reasonable expenses of the offering of such additional Notes, to make loans or investments which are collaterally assigned to the Collateral Agent and/or to retire the previously issued Notes.

## ARTICLE X MISCELLANEOUS

Section 10.01 Notices. All notices, requests, demands and other communications or deliveries required or permitted to be given hereunder shall be in writing and shall be deemed to have been properly furnished three (3) days after having been deposited for mailing if sent by

registered mail, or certified mail return receipt requested, or delivery by courier, to the respective addresses set forth below:

if to the Company:

MINISTRY PARTNERS INVESTMENT COMPANY, LLC  
915 W. Imperial Highway, Suite 120  
Brea, California 92821  
Attention: Joseph W. Turner, Jr.

if to the Collateral Agent:

MINISTRY PARTNERS FUNDING, LLC  
915 W. Imperial Highway, Suite 120  
Brea, California 92821  
Attention: Joseph W. Turner, Jr.

If to the Holders of the Notes, notice shall be sent to each Holder of such Notes, at the address of such Holder as it appears in the books and records of the Company, not later than the latest date, and not earlier than the earliest date, prescribed for the first publication of such notice. Any notice or communication to an Holder shall be mailed by first-class mail to his address shown on the Note register kept by the Company. Failure to mail a notice or communication to an Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If the Company mails a notice or communication to Holders, it shall mail a copy to the Collateral Agent and each agent at the same time.

The Company will furnish or cause to be furnished to the Collateral Agent not more than five (5) days after its appointment and acceptance as Agent, and at such other times as the Agent may reasonable request in writing, within ten (10) Business Days after receipt by the Company of any such request, a list in such form as the Collateral Agent may reasonably request containing all of the information in the possession or control of the Company, or any of its paying agents, as to the names and address of the Holders of the Notes, obtained since the date as of which the next previous list, if any, was furnished, and the status of the amount of principal and interest paid or outstanding in respect of each Note.

Any notice or communication by the Company or the Collateral Agent to the other that is duly given in writing and delivered in person, by facsimile or e-mail, or mailed by first-class mail to the other's address stated in this Section 10.01 shall be sufficiently given. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it. The Company or the Collateral Agent by notice to the other, may designate additional or different addresses for subsequent notices or communications.

The Company or the Collateral Agent by notice to the other may designate additional or different addresses for subsequent notices or communications. Any notice or communication

mailed to a Registered Note Holder shall be mailed to him at his address as it appears on the lists or registration books of the Registrar and shall be sufficiently given to him if so mailed within the time prescribed.

Section 10.02 Note and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Collateral Agent to take any action under the Agreement, the Company shall furnish to the Collateral Agent:

(a) an Officers' Note stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(b) an opinion of counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each opinion of counsel shall be in writing. The legal counsel who renders it may be an employee of or counsel to the Company. The legal counsel shall be acceptable to the Collateral Agent.

Section 10.03 Persons Deemed Holders. The Company, the Collateral Agent and any agent of the Company or the Collateral Agent may treat the person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal or interest on said Note and for all other purposes whatsoever, whether or not such Note is overdue.

Section 10.04 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(a) a statement that the person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 10.05 When Notes Disregarded. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or by a person, directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded, except that for

the purposes of determining whether the Collateral Agent shall be protected in relying on any such direction, waiver or consent, only Notes which the Collateral Agent knows are so owned shall be so disregarded. Also, subject to the foregoing only, Notes outstanding at the time shall be considered in any such determination.

Section 10.06 Rules by Collateral Agent, Paying Agent, Registrar. The Collateral Agent may make reasonable rules covering matters relating to actions by or a meeting of Registered Note Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

Section 10.07 Legal Holidays. A “Legal Holiday” is a Saturday, Sunday, a legal holiday or a day on which banking institutions are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.08 Governing Law; Time is of the Essence. This Agreement and the Notes shall be governed by the laws of the State of California. Time is of the essence with respect to all provisions of this Agreement.

Section 10.09 No Adverse Interpretation of Other Agreements. This Agreement may not be used to interpret another Agreement, loan or debt agreement of the Company. Any such Agreement, loan or debt agreement may not be used to interpret this Agreement.

Section 10.10 No Recourse Against Others. As described in the Notes, all liability of any director, manager, officer, employee or equity holder, as such, of the Company is waived and released.

Section 10.11 Successors. All covenants of the Company in this Agreement and the Notes shall bind its successor. All agreements of the Collateral Agent in this Agreement shall bind its successor and assigns, whether so expressed or not.

Section 10.12 Duplicate Originals. The parties may sign any number of copies of this Agreement. Each sign copy shall be an original, but all of them taken together represent the same agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

**COMPANY:**

MINISTRY PARTNERS INVESTMENT  
COMPANY, LLC, a California limited liability  
company

By: */s/ Joseph W. Turner,  
Jr.*

Name: Joseph W. Turner, Jr.  
Title: Chief Executive Officer and President

Attest: */s/Brian Barbre*

Name: Brain Barbre  
Title: CFO

**HOLDERS:**

The Signature Page of the Investment Agreement to each Holder's Note shall constitute that Holder's counterpart signature page to this Agreement. The name and address of each Holder shall be set forth in a Supplemental Schedule to this Agreement.

**COLLATERAL AGENT:**

MINISTRY PARTNERS FUNDING, LLC, a  
Delaware limited liability company

By: */s/ William M. Crammer, III*

Name: William M. Crammer, III  
Title: Senior Vice President

Attest: */s/Brian Barbre*

Name: Brain Barbre  
Title: CFO

**SUCCESSOR COLLATERAL AGENT:**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT A**

### **COLLATERAL**

All property, rights, privileges and franchises of the Company of every kind and description, real, personal, or mixed, tangible and intangible, wherever located, which were acquired from the proceeds of the offering described in the Memorandum or subsequent offerings secured hereby, the revenues and increases thereof which constitute a part of the pledged assets held by the Collateral Agent, and the proceeds thereof, whether now owned, existing or hereafter acquired.

**EXHIBIT B**  
**SPECIMEN FORM OF NOTE**

[THIS SPECIMEN FORM OF NOTE FOLLOWS THIS PAGE]

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SPECIMEN

MINISTRY PARTNERS INVESTMENT COMPANY, LLC

SECURED INVESTMENT NOTE

HOLDER: INTEREST RATE: \_\_\_\_ %  
Name: ISSUANCE DATE: \_\_\_\_\_, \_\_\_\_\_  
\_\_\_\_\_  
Name 2: \_\_\_\_\_ PAYMENT DATE: \_\_\_\_\_ day of \_\_\_\_\_  
Address: \_\_\_\_\_ MATURITY DATE: \_\_\_\_\_, \_\_\_\_\_  
PRINCIPAL AMOUNT: \$ \_\_\_\_\_ NOTE NO.: \_\_\_\_\_  
Interest Payments made:  
Monthly \_\_\_\_\_  
At Maturity \_\_\_\_\_

THIS SECURED INVESTMENT NOTE IS SUBJECT TO THE PROVISIONS OF THE LOAN AND SECURITY AGREEMENT dated April \_\_, 2018 (the “**Loan Agreement**”), which authorizes the issuance of the Company’s Secured Investment Notes. Any capitalized terms not defined in this Note shall have the meaning ascribed to them in the Loan Agreement.

**1. Maker’s Obligation to Pay.** For value received, MINISTRY PARTNERS INVESTMENT COMPANY, LLC, a California limited liability company (“**Maker**”), hereby promises to pay to the order of the registered holder of this Note (“**Holder**”) at such address of Holder as stated above and set forth on the records of Maker, or at such other place as Holder may designate in writing to Maker, the Principal amount plus any additional advances to Principal by Holder and accepted by Maker, together with interest accrued on the Principal amount at the interest rate stated above.

**2. Registration, Transfer.** Maker shall maintain at its principal office a register of the Secured Investment Notes issued under the terms of the Loan Agreement. Maker shall provide for the registration of this Note and of any permitted transfers of this Note. The Maker will serve as the Registrar for the purpose of registering this Note and recording transfers of this Note as herein provided. The Holder understands that: (i) the securities laws impose substantial restrictions upon the transfer of any interest in this Note, and (ii) Maker is not obligated to register this Note under the securities laws or otherwise take any action to facilitate or make possible any transfer of any interest in this Note. Neither this Note nor any interest in this Note shall be sold, conveyed or otherwise transferred, pledged or otherwise encumbered, except as provided for herein or pursuant to the laws of descent and distribution or by will.

**3. Manner and Form of Payment.** This Note shall be payable interest only, in arrears, commencing on the Payment Date of the month next following the month in which the Issue Date occurs and continuing on the same day of each month following thereafter until the Maturity Date stated above occurs, on which date the unpaid balance of the Principal amount and accrued interest shall be due and payable. All payments hereunder shall be in lawful money of the United States of America and shall be applied first to the payment of accrued interest and then to the payment of the Principal amount.

**4. Subject to the Loan Agreement.** This Note is issued subject to the terms and conditions of the Loan Agreement.

**5. Events of Default and Remedies.** This Note shall be subject to each of the Events of Default and remedies set forth in the Loan Agreement, including any rights to cure such default as described in the Loan Agreement. No Holder has the right to institute or continue any proceeding, judicial or otherwise, with respect to the Notes except through an action authorized by the Loan Agreement.

**6. Deferred Interest Election.** If the Holder makes this election, payment of accrued interest on this Note will be deferred and Maker shall defer all interest payable on this Note until the Payment Date by increasing the Principal due by an amount equal to each accrued interest payment otherwise payable on this Note, as of the Payment Date of such interest payment. Interest shall be payable on such increased Principal amount thereon in the manner otherwise provided herein.

**7. Maker's Election to Prepay.** The Maker may at any time, upon not less than thirty (30) nor more than sixty (60) days' prior written notice to the Holder, elect to prepay the unpaid balance of the Principal amount and interest of the Note, in whole or in part, by delivering to the Holder the payment so required. Notice of prepayment shall be mailed by first class mail to Holder. If less than all of the category of the Notes that are issued and outstanding are prepaid, Maker shall prepay all Notes of the category on a pro rata basis. In the event of such prepayment, a new Note in the amount of Principal equal to the unpaid Principal balance of the original Note shall be issued in the name of Holder and the original Note shall be canceled. On and after the prepayment date, interest shall cease to accrue on the portion of the Principal amount prepaid. The foregoing obligation to prepay a category of Notes on a pro rata basis herein shall not in any manner limit the Maker's right to repurchase or prepay any Note on a voluntary basis agreed to by the Holder thereof, including any prepayment of the Note prior to maturity as described below.

**8. Security.** This Note is secured by the Collateral assigned to the Collateral Agent for the benefit of the Holder under the terms of the Loan Agreement. In the event that an Event of

Default occurs under the terms of the Loan Agreement which is not timely cured, Holder may, at its option, exercise any of its remedies under such Agreement.

**9. Subordination of Notes.** The Maker's obligation to pay any deficiencies under the terms of the Note shall be subordinate in right of payment and subject to the prior payment or provision for payment, in full, of all claims for principal and interest of all present and future holders of the Company's Class A, Class 1 and Class 1A Notes which arise prior to the date on which a payment under the Note is made. The subordination of this Note shall apply to any amounts remaining due and unpaid after the exhaustion of the Collateral. For purposes of this Section, the Company's Class A Notes, Class 1 and Class 1A Notes shall refer to the notes offered under the Maker's Registration Statements filed with and declared effective by the U.S. Securities and Exchange Commission. The Notes will not be subordinated to any Class A Notes, Class 1 and Class 1A Notes held by the Company, its affiliated entities, its officers, managers or members for its own account.

**10. Early Presentment.** Holder may, upon written notice to Maker, request prepayment of the Note by reason of the Holder's demonstrated bona fide hardship at any time prior to maturity. Maker is under no obligation to prepay the Note. Maker will take into consideration Holder's circumstances indicating family emergency or undue financial hardship. Regardless, whether to so prepay the Note shall be determined in Maker's sole judgment. In the event Maker determines to prepay the Note, it shall prepay the unpaid balance of the Principal Amount or portion thereof, plus the accrued but unpaid interest through the date of prepayment, less an amount equal to an administrative fee not to exceed an amount equal to six (6) months' interest on the Principal Amount of the Note prepaid.

**11. Cancellation.** This Note, when properly surrendered for payment, redemption, transfer, exchange or conversion, shall be delivered to Maker for cancellation. Holder may, at any time, deliver to Maker for cancellation any Notes previously authenticated and delivered hereunder which Maker may have acquired in any manner whatsoever, and Maker shall promptly cancel all Notes so delivered. No Notes shall be issued in lieu of or in exchange or transfer for any Notes cancelled as provided in this Section, except as expressly permitted. All cancelled Notes held by Maker shall be disposed of as directed by Maker.

**12. Waivers.** The Maker waives demand for payment, presentment for payment, protest, notice of protest, notice of dishonor, notice of nonpayment, notice of acceleration or maturity, and/or diligence in taking any action to collect sums owing hereunder.

**13. Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to Holder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right

and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment or any other appropriate right or remedy.

**14. Severability.** In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**15. California Law; Jurisdiction.** This Note is made in the State of California and the provisions hereof shall be construed in accordance with the laws of the State of California, except to the extent preempted by federal law. In the event of a default hereunder, this Note may be enforced in any court of competent jurisdiction in the State of California, and as a condition to the issuance of this Note, Maker and Holder submit to the jurisdiction of such court regardless of their residence or where this Note or any endorsement hereof may have been executed.

Orange County, California

MINISTRY PARTNERS INVESTMENT COMPANY,  
LLC

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT C**

**CERTIFICATE OF VALUATION OF COLLATERAL**

[A COPY OF THE CERTIFICATE OF VALUATION OF COLLATERAL  
FOLLOWS THIS PAGE]

C-1

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LOAN AND SECURITY AGREEMENT  
MINISTRY PARTNERS INVESTMENT COMPANY, LLC

CERTIFICATE OF VALUATION OF COLLATERAL

The undersigned, the \_\_\_\_\_  
(Title)  
of MINISTRY PARTNERS INVESTMENT COMPANY, LLC (the “**Company**”) hereby certifies pursuant to the provisions of Section 4.08 of the Loan and Security Agreement, dated April \_\_, 2018 (the “**Agreement**”), that the information listed below is true and correct, to the best of my knowledge and belief, as of the date of this certificate:

1. The “Eligible Pledged Assets” held by the Collateral Agent, as that term is defined in Section 1.01 of the Agreement, totals the sum of \$ \_\_\_\_\_ and includes the following assets:

Cash	\$
Cash equivalents	\$
Mortgage loan investments	\$
Participation interests	\$

2. The Company, as of the date of this certificate, is in compliance with its covenants under Section 4.08 of the Agreement.

3. As of the date of this report, the Mortgage Pool Collateralization Ratio is \_\_\_\_\_%.

IN WITNESS WHEREOF, the undersigned has signed this certificate on \_\_\_\_\_,  
\_\_\_\_\_.

MINISTRY PARTNERS INVESTMENT  
COMPANY, LLC, a California limited liability  
company

By:  
Name:  
Title:

## EXHIBIT D

### ELIGIBLE PLEDGED ASSETS

A. For each mortgage loan held BY THE Collateral Agent, we will be required to deliver an assignment in blank to the Collateral Agent or its nominee assigning the required collateral. Mortgage loans pledged as collateral for the Notes must be eligible mortgage loans. In general, an eligible mortgage loan is a mortgage loan which:

- (1) we originated or purchased in our ordinary course of business and in accordance with our church and ministry loan policy and is serviced by the servicer in accordance with its credit and collection policy;
- (2) creates a valid, subsisting, and enforceable first priority security interest in our favor in the related mortgaged property and contains customary and enforceable provisions adequate for the realization against the collateral of the benefits of the security;
- (3) arises under a duly authorized, delivered and validly existing and enforceable mortgage note and is secured by a deed of trust or other security instrument on the mortgaged property;
- (4) is for a loan to an evangelical church or other religious organization that has been in operation for at least three years, and is not an affiliate of the servicer;
- (5) after it is included in the mortgage pool does not, at the time it is pledged, cause:
  - (a) the Mortgage Pool Collateralization Ratio to be less than the minimum Mortgage Pool Collateralization Ratio;
  - (b) the weighted average loan to value of the mortgage loan pool to exceed 70.0%;
  - (c) the weighted average mortgagor debt service ratio of all eligible mortgage loans to exceed 33.0% per annum;
  - (d) the aggregate outstanding principal balance of any five (5) mortgage loans in the mortgage pool to exceed 30% of the aggregate outstanding principal balance of the mortgage loan pool, or \$20 million, whichever is greater; or
  - (e) the aggregate outstanding principal balance of any ten (10) mortgage loans in the mortgage loan pool to exceed 45% of the aggregate outstanding principal balance of the mortgage loan pool, or \$50 million, whichever is greater;
- (6) at the time it is pledged to the Collateral Agent, has a loan-to-value ratio, or LTV, recent appraisal which does not exceed eighty percent (80%) based upon the most made available to us;

- (7) at the time it is pledged:
- (a) has an outstanding principal balance of (or the Company's participation interest therein is) no more than the greater of three million dollars (\$3,000,000) or 2% of the net pool balance after its inclusion in the mortgage loan pool;
  - (b) has an original term to maturity of 360 months or less;
  - (c) requires interest to be payable no less frequently than monthly on a current basis, or in the case where the mortgage loan is a mortgage bond, no less frequently than semiannually;
  - (d) is a fully drawn, permanent whole debt obligation with no obligation for future advances and is not a construction loan;
  - (e) is fully assignable without any requirement to obtain the consent of, or give notice to, the related mortgagor or any other person;
  - (f) is not a delinquent mortgage loan;
  - (g) is an "instrument" or "tangible chattel paper" within the meaning of Section 9-102 or Section 9-109 (or other section of similar content) of the relevant UCC;
  - (h) entitles the Collateral Agent to a duly perfected security interest in the mortgaged property in the same priority as stated in the related mortgage file;
  - (i) is insured by a title insurance policy in the minimum amount equal to the original principal balance of such mortgage loan;
  - (j) is secured by mortgaged property which is insured by an insurance policy covering standard fire and traditional perils and provides for standard coverage against loss or damage; and
- (8) if a participation mortgage loan, (i) is subject to a participation agreement or loan documents which the Company or lead lender act as administrative and collateral collateral agent or the lead collateral agent and (ii) the Company or the lead lender controls the enforcement and foreclosure of the related mortgage loan.

B. When determining the value of the Eligible Pledged Assets for purposes of delivering a Certificate of Valuation of Collateral, the principal balance of any mortgage loans that exceed the following excess concentration limits shall be excluded from such report:

- (1) the aggregate outstanding principal balance of Eligible Pledged Assets held by the Collateral Agent secured by a junior lien on the mortgage property shall not exceed the greater of \$10 million dollars or 10% of the pledged assets held by the Collateral Agent, whichever is greater;



- (2) the aggregate outstanding principal balance of Eligible Pledged Assets held by the Collateral Agent for the five largest borrowers shall not exceed the greater of \$20 million dollars or 30% of the principal balance of the pledged assets held by the Collateral Agent;
- (3) the aggregate amount of outstanding in the ten largest mortgage loans held by the Collateral Agent shall not exceed the greater of \$50 million dollars or 45% of the principal balance in the pledged assets held by the Collateral Agent.
- (4) the aggregate outstanding principal balance of any single mortgage loan held by the Collateral Agent may not exceed \$3 million dollars;
- (5) no more than 10% of the assets held by the Collateral Agent may consist of mortgage obligations of a para-church ministry that is not consolidated with or affiliated with a local congregation; and
- (6) the aggregate outstanding principal balance of all mortgage loans held by the Collateral Agent that are located in a single state shall not exceed the greater of \$10 million dollars or 10% of the Pledged Assets held by the Collateral Agent.

**MINISTRY PARTNERS INVESTMENT COMPANY, LLC**  
(a California limited liability company)

\$80,000,000  
Ministry Partners Secured Investment Fund  
**Secured Investment Notes**

**SELLING AGREEMENT**

This agreement (the “Agreement”), made as of this 30th day of April, 2018, by and between Ministry Partners Investment Company, LLC, a California limited liability company, (the “Company”), with its principal place of business at 915 W. Imperial Highway, Suite 120, Brea, California 92821, and Ministry Partners Securities, LLC, a Delaware limited liability company (“Managing Broker-Dealer”), with its principal place of business at 915 W. Imperial Highway, Suite 120, Brea, California 92821, confirms the understanding and agreement between the Company and the Managing Broker-Dealer as follows:

**BACKGROUND INFORMATION**

The Company hereby engages the Managing Broker-Dealer as the Company’s managing broker-dealer in connection with the offering of the Company’s Secured Investment Notes in an aggregate principal amount not to exceed \$80,000,000 with varying rates and dates of maturity (the “Notes”), in a private offering pursuant to Rule 506 of Regulation D (the “Offering”). The Offering will be made to “accredited investors” (the “Accredited Investors”), as such term is defined in Rule 501(a) of Regulation D (“Regulation D”) promulgated under the United States Securities Act of 1933, as amended (the “Securities Act”), pursuant to an exemption from registration under applicable federal and state securities laws available under Rule 506(b) of Regulation D and sophisticated investors that qualify under the provisions of Rule 506. The Company reserves the right to offer and sell Notes through certain of its officers and directors provided that it complies with SEC Rule 3a4-1.

On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions set forth herein, Managing Broker-Dealer is hereby appointed as the managing broker-dealer to sell the Notes on a best efforts basis.

The Notes will be issued pursuant to and Loan and Security Agreement dated as of April 30, 2018, entered into by and between the Company and Ministry Partners Funding, LLC (the “Loan

Agreement”). The proceeds of the Offering will be used primarily to capitalize a secured loan fund which will be used to acquire, underwrite, originate or grant mortgage loans to Christian organizations and entities to finance the acquisition of properties, refinance existing facilities and provide construction funding for expansion and renovation of ministry-related facilities. The Managing Broker-Dealer hereby accepts such engagement upon the

terms and conditions set forth in this Agreement. This Agreement shall not give rise to any commitment or obligation by the Managing Broker-Dealer to purchase any of the Notes.

Accordingly, intending to be legally bound, the parties agree as follows:

## **OPERATIVE PROVISIONS**

### **1. The Offering.**

(a) The final terms of the Notes to be issued by the Company and of the Offering will be determined by the Company as set forth in a Private Offering Memorandum and term sheet (which, along with any amendment or supplement thereto, is referred to herein as the “Memorandum”), which the Company will prepare for distribution to prospective purchasers of Notes in the Offering.

(b) Certain terms of the Offering are as follows:

(i) the Notes will be offered and sold in reliance on and in accordance with Rule 506(b) of Regulation D of the Securities Act and, as a result, the Offering will be exempt from the registration requirements of the Securities Act;

(ii) qualification of the Trust Indenture with respect to the Notes under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), will not be required in connection with the offer, issuance, sale, or delivery of the Notes;

(iii) the initial minimum investment in the Notes per investor will be \$25,000;

(iv) there will be no minimum aggregate amount of subscriptions for Notes that the Company must accept, or any other condition that must be satisfied, before the Company may close on the sale of any Notes in the Offering;

(v) investors may purchase Notes through the Managing Broker Dealer or associated persons of the Company that effect sales of the Notes in compliance with SEC Rule 3a4-1;

(vi) the Company may elect to hold more than one closing for the sale of Notes;

(vii) the Company reserves the right to temporarily suspend the Offering at any time, including, but not limited to, suspending the offer and sale of any category of Notes made

available under the Offering or terminate the Offering in its sole discretion;

(viii) the Offering will terminate at the earlier of (A) the sale of all of the Notes being offered in the Offering, and (B) the date set forth in the Memorandum; *provided that*, the Company may extend the Offering until

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December 31, 2020 at its sole discretion; and

(ix) notwithstanding any contrary provision of this Agreement, the Managing Broker-Dealer will have no liability to the Company or any other person for its failure to identify one or more prospective investors in the Offering or the failure of the Company to sell any or all of the Notes being offered for sale in the Offering.

## **2. Engagement.**

(a) The Company engages Managing Broker-Dealer, and Managing Broker-Dealer accepts such engagement, as the Company's selling agent, on a best efforts basis, for the purpose of identifying, evaluating and procuring prospective qualified purchasers of Notes in the Offering.

(b) The Notes offered and sold by the Company through the efforts of Managing Broker-Dealer have been and will be offered and sold in compliance with all federal and state securities laws and regulations governing the registration and conduct of broker-dealers. When making an offer or sale of Notes shall or will be, at the time of any such offer or sale, registered as a broker-dealer pursuant to Section 15(b) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and under the laws of each applicable state of the United States (unless exempted from the respective state's broker-dealer registration requirements), and in good standing with the Financial Industry Regulatory Authority ("FINRA").

(c) The Notes offered and sold by the Managing Broker-Dealer have been and will be offered and sold only to Accredited Investors and sophisticated investors in accordance with Rule 506(b) of Regulation D and applicable state securities laws; provided, however, the Company shall make all necessary filings under Rule 503 of Regulation D and such similar notice filings under applicable state securities laws. The Managing Broker-Dealer represents and warrants that it will undertake prudent and best efforts practices to ensure that each person to whom a sale, offer or solicitation of an offer to purchase a Certificate was or will be made was and is an Accredited Investor or a qualified investor under Rule 506(b). Prior to the sale and delivery of a Certificate to any such investor, the Managing Broker-Dealer will obtain an executed subscription agreement and investor questionnaire in the form agreed upon by the Company and the Managing Broker-Dealer (the "Subscription Documents").

(d) In connection with the offer and sale of the Notes, the Managing Broker-Dealer has not and will not:

(1) offer or sell, or solicit any offer to buy, any Notes by any form of “general solicitation” or “general advertising”, as such terms are used in Regulation D, or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act; or

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(2) make any representations to a prospective investor other than those contained in the Memorandum or authorize any written materials to be used to describe the potential investment other than the Memorandum and Subscription Documents.

(e) During the term of this Agreement, the Managing Broker-Dealer will use its reasonable efforts to (i) identify potential investors, (ii) furnish such potential investors, on behalf of the Company, with copies of the Memorandum, and (iii) afford such investors or any representatives thereof, the opportunity to ask questions of and to receive answers from the Company. No sale of the Notes shall be regarded as effective unless and until accepted by the Company.

(f) Managing Broker-Dealer shall comply in all material respects with the subscription procedures and plan of distribution set forth in the Memorandum. Any sales materials or literature used in the Offering must be approved in advance by the Company.

(g) Managing Broker-Dealer shall furnish to the Company a complete list of all persons who have been offered the Notes and the states of residence or domicile of such persons that have been offered Notes.

(h) No agreement shall be made with any person permitting the resale, repurchase or distribution of any Notes purchased by such person.

(i) If the Managing Broker-Dealer receives any funds for the purchase of Notes, the Managing Broker-Dealer shall transmit such funds as soon as practicable following receipt thereof to the Company.

(j) The Managing Broker-Dealer shall solicit, cause to be solicited, and generally oversee and supervise the solicitation of subscriptions for the purchase of Notes pursuant to the terms and conditions of the Offering, in a manner reasonably acceptable to the Company.

(k) The Company reserves the right to offer and sell Notes through one or more of its officers and directors pursuant to SEC Rule 3a4-1; provided, however, that none of such officers, Board Managers or key employees are licensed principals or associated persons with the Managing Broker Dealer.

(l) During the terms of this Agreement, the Managing Broker Dealer agrees to cooperate with the Company in carrying out the



subscription procedures and selling procedures described in the Memorandum and furnished by the Company from time to time.

3. **Representations, Warranties and Covenants of the Company.** The Company represents and warrants to and agrees as follows:

(a) This Agreement has been authorized, executed and delivered by the Company and, when executed by the Managing Broker-Dealer, will constitute the

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valid and binding agreement of the Company enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(b) The offer and sale of the Notes shall be exempt from registration under the Securities Act, and will comply, in all material respects, with the requirements of Rule 506 of Regulation D promulgated under the Securities Act and any applicable state securities laws. No documents prepared by the Company in connection with the Offering, or any amendment or supplement thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) The financial statements, audited and unaudited (including the notes thereto), included in the Company's latest annual information report on Form 10-K and subsequent quarterly reports, present fairly the financial position of the Company as of the dates indicated and the results of operations and cash flows of the Company for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved except as otherwise stated therein.

(d) No federal, state or foreign governmental agency has issued any order preventing or suspending the offering of the Notes.

(e) The Company is a limited liability company, validly existing, and in good standing under the laws of the State of California. The Company is qualified to do business and, where applicable, in good standing in every jurisdiction in which, because of the Company's conduct of its business, qualification in such jurisdiction is legally required. The Company holds all governmental authorizations, approvals, and permits necessary to conduct its business and to perform its obligations under this Agreement.

(f) The Loan Agreement has been duly authorized, executed, and delivered by the Company, and each is the legal, valid, and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally, and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(g) The offer and sale of the Notes in the Offering will be made in reliance on and in accordance with, and will qualify for the exemption from the registration requirements of the Securities Act. In addition, the offer and sale of the Notes in the Offering will be qualified or exempt from registration under the securities law of each state in which the Notes will be offered or sold. Neither the Company, any of its affiliates, nor anyone acting on its behalf has taken or omitted to take

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any act, or will take or will omit to take any act, in respect of the Offering that conflicts with the Securities Act or any applicable state securities laws. Neither the Company nor any of its managers, officers, or controlling persons is subject to any judgment, decree, ruling, order, or other disqualification that would make the exemption provided by the Securities Act unavailable in connection with the Offering. With respect to the Offering, the Company will comply with all federal and applicable state securities laws.

(h) To its knowledge, after reasonable inquiry, qualification of an indenture, including the Loan Agreement, with respect to the Notes under the Trust Indenture Act is not required in connection with the offer, issuance, sale, or delivery of the Notes.

(i) To its knowledge, no authorization, approval, or permit of or from, any governmental authority, any court or other tribunal, FINRA, or other self-regulatory body or any securities exchange is required by the Company for the execution, delivery, or performance of this Agreement by the Company or the sale of any Notes in the Offering by the Company, except any required filings under applicable state securities laws or notices adopted by FINRA which require a member firm to file copies of the offering documents with FINRA when it participates in a private placement of debt securities, which have been or will be made by the time required by such laws.

(j) No consent of any party to any contract, agreement, instrument, lease, license, or arrangement to which the Company is a party, or to which any of its properties or assets are subject, is required for the execution, delivery, or performance of this Agreement or the Loan Agreement. The Company's execution, delivery, or performance of this Agreement and the Loan Agreement (i) will not violate, result in a breach of, or conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under, any agreement to which the Company is a party or to which the Company or any of its assets are subject; (ii) will not violate, result in a breach of, or conflict with any term of the articles of organization or operating agreement of the Company; (iii) will not result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Company; and (iv) will not violate, result in a breach of, or conflict with any law, rule, regulation, order, judgment, or decree binding on the Company or any of its assets.

(k) There is no litigation or governmental proceeding pending or, to the Company's knowledge, threatened against, or involving the Company or any of its properties, except as may be set forth in the Memorandum.

(l) The Company is not in breach of, or in default under, any term or provision of any indenture, mortgage, deed of trust, lease, note, loan, or credit agreement, or any other agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which it is a party or by which it or any of its properties may be bound.

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(m) The Notes are validly authorized and, when issued and delivered in accordance with the Memorandum, will be validly issued, fully paid, and non-assessable and will not be issued in violation of any preemptive rights. No individual or entity has any right of first refusal to acquire any of the Notes in the Offering. The Notes and Loan Agreement conform to all statements relating thereto contained in the Memorandum.

(n) The Company makes and keeps books and records and maintains internal accounting controls that provide reasonable assurance that: (i) transactions are executed in accordance with management's authorization, (ii) transactions are recorded as necessary to permit preparation of its financial statements and to maintain accountability for its assets, (iii) access to its assets is permitted only in accordance with management's authorization, and (iv) the reported assets are compared with existing assets at reasonable intervals.

**4. Representations, Warranties, and Covenants of Managing Broker-Dealer.** Managing Broker-Dealer represents and warrants to and agrees with the Company that:

(a) Managing Broker-Dealer is duly organized and in good standing in its jurisdiction of origin. Managing Broker-Dealer holds all governmental authorizations, approvals, and permits necessary to conduct its business and to perform its obligations under this Agreement.

(b) Managing Broker-Dealer has the requisite power and authority to execute, deliver, and perform its obligations under this Agreement. This Agreement has been duly authorized, executed, and delivered by Managing Broker-Dealer. This Agreement is the legal, valid, and binding obligation of Managing Broker-Dealer enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally, and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Managing Broker-Dealer is a broker-dealer registered with the Securities and Exchange Commission under the Exchange Act, is a member in good standing of FINRA, and is registered and/or qualified to act in each jurisdiction in which it is required to be registered and/or qualified to conduct its business and to perform its obligations under this Agreement.

**5. Certain Covenants of the Company.** The Company covenants to and agrees with Managing Broker-Dealer as follows:

(a) If any event occurs as the result of which, in the opinion of the Company, Managing Broker-Dealer, or their respective counsel, the Memorandum, as then amended or supplemented, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if, in the opinion of such counsel, it is necessary at any time to amend or supplement the Memorandum to comply with

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the Securities Act or the regulations issued under the Securities Act, or applicable state securities laws, the Company will notify Managing Broker-Dealer and will promptly prepare an appropriate amendment or supplement (in form and substance reasonably satisfactory to Managing Broker-Dealer) which will correct such statement or omission or which will effect such compliance.

(b) The Company will deliver without charge to Managing Broker-Dealer such number of copies of the Memorandum, and all exhibits, amendments, and supplements thereto, if any, that Managing Broker-Dealer reasonably requests from time to time for the purposes contemplated by this Agreement.

(c) The Company shall comply with all requirements of the securities laws of the states in which the Notes will be offered or sold, including, without limitation, making timely notice filings and paying required fees, if any.

(d) The Company will promptly notify Managing Broker-Dealer of any receipt of any notification with respect to the modification, rescission, withdrawal, or suspension of the qualification or registration of the Notes offered for sale in the Offering, or the exemption from such qualification and registration requirements, in any jurisdiction.

(e) The Company shall provide reasonable prior written notice to the Managing Broker-Dealer of any such extension of the Offering by the Company or any temporary or permanent suspension of the Offering.

(f) The Company will apply the net proceeds of the Offering in the manner set forth in the Memorandum.

**6. Managing Broker-Dealer Fees.** In consideration for the performance of the services hereunder, the Company hereby agrees to pay to the Managing Broker-Dealer such fees as outlined below:

(a) As compensation for services to be rendered under this Agreement, the Managing Broker-Dealer shall be entitled to receive from the Company the fees specified in the Schedule attached hereto as Exhibit A and incorporated by reference, as more particularly described in the fee schedule. The Company reserves the right, in its sole discretion, to refuse to accept any or all of the Subscription Documents it receives. The Company may, in its sole discretion, change the assets under management fee payable for the sale of the Notes or any category of Notes at anytime, or from time to time, so long as the total compensation paid to distribute the Notes does not exceed 5.5% after giving effect to such change.



(b) No fees shall be payable to the Company with respect to any Subscription Documents until the Company accepts such documents and unless and until such time as the Company has received the proceeds of the sale of the Notes contemplated by the Subscription Documents.

(c) No fees or compensation will be paid to the Managing Broker Dealer or any representative of the Company for any sales of Notes made under SEC Rule 3a4-1.

(d) The Company agrees to reimburse Managing Broker-Dealer for its due diligence expenses incurred in engaging an independent third party to perform due diligence in connection with the Offering of the Notes.

**7. Payment of Expenses.** Regardless of whether the Offering is completed, the Company will pay all of the costs and expenses relating to the Offering, including, without limitation, fees and expenses of accountants and legal counsel to the Company, due diligence fees, travel costs, printing costs, state securities filing fees, if any, and other regulatory fees and expenses Managing Broker-Dealer shall be responsible for all the other costs and expenses of its accountants, attorneys, and other professional advisors.

## **8. Indemnification.**

(a) **Indemnification of Managing Broker-Dealer.** The Company agrees to indemnify the Managing Broker-Dealer and hold it harmless against any losses, claims, damages or liabilities incurred by the Managing Broker-Dealer, in connection with, or relating in any manner, directly or indirectly, to the Managing Broker-Dealer rendering the services in accordance with the Agreement, unless it is determined by a court of competent jurisdiction that such losses, claims, damages or liabilities arose out of the Managing Broker-Dealer's breach of this Agreement, sole negligence, gross negligence, willful misconduct, dishonesty, fraud or violation of any applicable law. Additionally, the Company agrees to reimburse the Managing Broker-Dealer immediately for any and all expenses, including, without limitation, attorney fees, incurred by the Managing Broker-Dealer in connection with investigating, preparing to defend or defending, or otherwise being involved in, any lawsuits, claims or other proceedings arising out of or in connection with or relating in any manner, directly or indirectly, to the rendering of any services by the Managing Broker-Dealer in accordance with the Agreement (as defendant, nonparty, or in any other capacity other than as a plaintiff, including, without limitation, as a party in an interpleader action); provided, however, that in the event a determination is made by a court of competent jurisdiction that the losses, claims, damages or liability arose primarily out of the Managing Broker-Dealer's breach of this Agreement, sole negligence, gross negligence, willful misconduct, dishonesty, fraud or any violation of any applicable law, the Managing Broker-Dealer will remit to the Company any amounts for which it had been reimbursed under this paragraph. The Company further agrees that the indemnification and reimbursement commitments set forth in this paragraph shall extend to any

controlling person, strategic alliance, partner, member, shareholder, director, officer, employee, agent or subcontractor of the Managing Broker-Dealer and their heirs, legal representatives, successors and assigns. The provisions set forth in this Section 8 shall survive any termination of this Agreement.

(b) **Indemnification of Company.** Subject to the conditions set forth below, the Managing Broker-Dealer hereby indemnifies and agrees to hold the Company, and the members, officers, managers, employees, attorneys, and accountants of the Company (any one, “Indemnified Company Party;” all together, “Indemnified Company Parties”) harmless from and against any and all loss, liability, claims, damages, and expense whatsoever arising from or based upon (a) any unauthorized verbal or written representations in connection with the Offering made by the Managing Broker-Dealer, its agents, employees, or affiliates in violation of the securities laws or the FINRA Rules, (b) the failure of the Managing Broker-Dealer to comply with the securities laws or the FINRA Rules, other than as the result of an act or omission by the Company, or (c) a breach by the Managing Broker-Dealer of any term, condition, representation, warranty, or covenant by the Managing Broker-Dealer in this Agreement. If any action is brought against an Indemnified Company Party in respect of which indemnification may be sought hereunder, such Indemnified Company Party shall promptly notify the Managing Broker-Dealer of such action and the Managing Broker-Dealer shall assume the defense of such action, at the expense of the Managing Broker-Dealer, through qualified legal counsel selected by the Managing Broker-Dealer and reasonably acceptable to the Company. The Managing Broker-Dealer shall promptly notify the Indemnified Company Parties of the commencement of any litigation or proceedings against the Managing Broker-Dealer or any of the officers or agents of the Managing Broker-Dealer in connection with the Memorandum or the Offering.

**9. Representations and Agreements to Survive Delivery and Termination.** All representations, warranties, covenants, and agreements contained in this Agreement or in certificates of officers of the Company (a) are made on the date of this Agreement and are deemed to be made again on the date of the Memorandum, each amendment or supplement to the Memorandum, and on each closing date, (b) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of Managing Broker-Dealer, or any Indemnified Person, and (c) shall survive termination of this Agreement or the delivery of any Notes to the purchasers thereof in the Offering.

#### **10. Termination.**

(a) This Agreement will terminate at the earlier of (i) the time that all of the Notes in the Offering have been sold, (ii) the latest date set forth in Section 1(b)(vii) above, or (iii) the time that this Agreement is terminated pursuant to Section 10(b), 10(c) or 10(d) below.

(b) Managing Broker-Dealer may terminate this Agreement at any time upon 30 days advance written notice to the Company.

(c) Managing Broker-Dealer may terminate this Agreement at any time upon written notice to the Company if: (i) a material disruption in the major securities markets occurs; (ii) an outbreak of major hostilities or other national or international calamity occurs; (iii) a banking moratorium is declared by a state or

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federal authority; (iv) a moratorium in foreign exchange trading by major international banks or persons is declared; (v) a material interruption in the mail service or other means of communication within the United States occurs; (vi) the Company sustains a material or substantial loss by fire, flood, accident, hurricane, earthquake, theft, sabotage, or other calamity or malicious act, whether or not such loss is insured against, that, in the opinion of Managing Broker-Dealer, makes it inadvisable to proceed with the Offering; or (vii) a change occurs in the market for the Company's securities or securities in general or in political, financial, or economic conditions that, in the opinion of Managing Broker-Dealer, makes it inadvisable to proceed with the Offering.

(d) The Company shall be entitled to terminate this Agreement upon thirty days' prior notice in the event that Managing Broker-Dealer fails to reasonably carry out its duties under this Agreement or commits an act of negligence or intentional wrongdoing when undertaking its duties under this Agreement.

11. **Compliance.** All actions, direct or indirect, by the Managing Broker-Dealer and its agents, employees, and affiliates shall conform to (a) requirements applicable to broker-dealers under the Securities Laws, and (b) the FINRA Rules.

12. **Information.** In connection with the Offering, the Company will furnish Managing Broker-Dealer with all relevant material regarding the business and financial condition of the Company as Managing Broker-Dealer reasonably requests, all of which will be accurate and complete at the time furnished. The Company also will use all reasonable efforts to make available its personnel, consultants, experts, attorneys, and accountants to Managing Broker-Dealer upon Managing Broker-Dealer's reasonable request in connection with services provided or to be provided by Managing Broker-Dealer under this Agreement. The Managing Broker-Dealer is relying, without independent verification, on the accuracy and completeness of all information furnished to it by or on behalf of the Company in connection with the Offering.

13. **No Offset.** No fee paid or payable to Managing Broker-Dealer, or any of their respective affiliates may be used as an offset or credit against any other fee paid or payable by the Company to Managing Broker-Dealer, or any of their respective affiliates for any services not relating to the Offering.

14. **Notices.** All notices and other communications under or with respect to this Agreement must be in writing and will be deemed delivered on the day of delivery if delivered by hand, on the next business day if delivered by nationally recognized overnight courier with delivery charges prepaid, on the third day after mailing if

delivered by U.S. certified mail, return receipt requested with postage prepaid, or the next business day if delivered by facsimile with confirmation from the transmitting facsimile machine, to the following addresses:

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If to the Company: Ministry Partners Investment  
Company, LLC  
915 W.  
Imperial Highway  
Suite 120  
Brea,  
California 92821  
Fax: (714)  
671-5767  
Attention:  
Joseph W. Turner, Jr., President

With a copy to: Bush Ross, P.A.  
1801 North  
Highland Avenue  
Tampa,  
Florida 33602-2656  
Fax: (813)  
223-9620  
Attention:  
Randy K. Sterns, Esq.

If to Managing  
Broker-Dealer: Ministry Partners  
Securities, LLC  
915 W.  
Imperial Highway  
Suite 120  
Brea,  
California 92821  
Fax: (714)  
671-5767  
Attention:  
Joseph W. Turner, Jr., President

A party may change its address by written notice to the other parties provided in the manner set forth in this Section.

15. **Governing Law.** The subject matter of this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its choice of law principles), and to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted. EACH PARTY HERETO AGREES TO SUBMIT TO THE PERSONAL JURISDICTION AND VENUE OF THE STATE AND/OR FEDERAL COURTS LOCATED IN ORANGE COUNTY, CALIFORNIA FOR RESOLUTION OF ALL DISPUTES ARISING OUT OF, IN CONNECTION WITH, OR BY REASON OF THE INTERPRETATION, CONSTRUCTION, AND ENFORCEMENT



OF THIS AGREEMENT, AND HEREBY WAIVES THE CLAIM OR DEFENSE THEREIN THAT SUCH COURTS CONSTITUTE AN INCONVENIENT FORUM. AS A MATERIAL INDUCEMENT FOR THIS AGREEMENT, EACH PARTY SPECIFICALLY WAIVES THE RIGHT TO TRIAL BY JURY OF ANY ISSUES SO TRIABLE. If it becomes necessary for any party to institute legal action to enforce the terms and conditions of this Agreement, the prevailing party may be awarded reasonable attorneys fees, expenses and costs.

16. **Confidentiality.** The Managing Broker-Dealer may acquire certain non-public information respecting the business of the Company in connection with the performance of services hereunder, including information, which is reasonably understood to be proprietary or confidential in nature (collectively, “Confidential Information”). The Managing Broker-Dealer hereby agrees that all Confidential Information shall be kept strictly confidential by the Managing Broker-Dealer and

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its affiliates, members, partners, shareholders, managers, directors, officers, employees, advisors, agents, and controlling persons (collectively, "Representatives"), except that Confidential Information or portions thereof may be disclosed to Representatives who need to know such information for the purpose of enabling the Managing Broker-Dealer to perform services hereunder (it being understood that prior to such disclosure, such Representative will be informed by the Managing Broker-Dealer of the confidential nature of such Confidential Information and shall agree to be bound by this Agreement). The Managing Broker-Dealer shall be responsible for any breach of this provision by any of its Representatives. For purposes hereof, Confidential Information shall not include any information which (i) at the time of disclosure or thereafter is or becomes generally known by the public (other than as a result of its disclosure by the Managing Broker-Dealer or its Representatives), (ii) was or becomes available to the Managing Broker-Dealer on a non-confidential basis from a person who is not subject to a confidentiality agreement concerning that information, or (iii) is required by law to be disclosed by the Managing Broker-Dealer (provided that if such disclosure is required by order of a court or administrative agency, the Managing Broker-Dealer shall notify the Company as soon as possible so that the Company may seek a protective order).

**17. Assignments and Binding Effect.** This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The rights and obligations of the parties under this Agreement may not be assigned or delegated without the prior written consent of both parties, and any purported assignment without such written consent shall be null and void.

**18. Modification and Waiver.** Only an instrument in writing executed by the parties hereto may amend this Agreement. The failure of any party to insist upon strict performance of any of the provisions of this Agreement shall not be construed as a waiver of any subsequent default of the same or similar nature, or any other nature.

**19. Construction.** The captions used in this Agreement are provided for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement.

**20. Facsimile Signatures.** Facsimile transmission of any signed original document, and re-transmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, the parties shall confirm facsimile transmitted signatures by signing an original document. This Agreement may be executed in one or more counterparts, each of which shall be deemed

an original and all of which taken together shall constitute one and the same agreement.

21. **Severability.** If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect, and of the remaining provisions of this Agreement, shall not be in any way impaired.

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22. **Survivability.** Neither the termination of this Agreement nor the completion of any services to be provided by the Managing Broker-Dealer hereunder, shall affect the provisions of this Agreement that shall remain operative and in full force and effect.

23. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

[Signature Page Follows]

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The Company and Managing Broker-Dealer have caused this Managing Broker-Dealer Agreement to be signed by their duly authorized representatives as of the date first written above.

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Ministry Partners Investment Company, LLC

By: /s/ Joseph W. Turner, Jr.

Name: Joseph W. Turner, Jr.

Title: President

Ministry Partners Securities, LLC

By: /s/ R. Michael Lee

Name: R. Michael Lee

Title: Chairman of the Board

## **EXHIBIT A**

### **FEE STRUCTURE**

#### **Assets Under Management Fee**

Managing Broker Dealer will receive an assets under management fee equal to 1% of the outstanding principal balance of the Secured Notes, payable on a monthly basis sold under the Offering (the “AUM Fee”). The Company reserves the right to reduce or waive the AUM Fee at any time or from time to time without the consent of Managing Broker Dealer. Payment of AUM Fee is subject to maximum gross dealer concessions of 5.5% paid as commission or as an AUM Fee on the sale of any Secured Note sold prior to the date of this Memorandum.

As a result, the maximum sales compensation to be paid to Managing Broker Dealer as sales commissions from the sale of Secured Notes prior to the effective date and including any AUM Fees paid on the outstanding balance of a Secured Note after the date of this Memorandum shall not exceed 5.5% of the principal balance of the Secured Notes, determined on a monthly basis, during the term of such Secured Note.

Payments of the AUM Fee assessed on the principal balance of the Secured Notes will be made on a monthly basis within thirty (30) days after the close of the preceding month. Managing Broker Dealer shall deliver a report to the Company which summarizes the principal balance held for each investor by category and type of Note purchased within thirty (30) days of the close of the preceding month.

#### **Processing Fee**

The Company will also pay a .50% processing fee on the purchase of a Secured Note commencing with the effective date of the Memorandum. The processing fee is assessed on the initial purchase of the Note. No processing fee will be assessed on any withdrawals or requests for liquidation of a Secured Note.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY  
ACT OF 2002

I, Joseph W. Turner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ministry Partners Investment Company, 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 issuer 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)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2018

By: /s/ Joseph W. Turner, Jr.  
Joseph W. Turner, Jr.  
Chief Executive Officer

CERTIFICATION OF ACTING PRINCIPAL FINANCIAL  
AND ACCOUNTING OFFICER PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Brian S. Barbre, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ministry Partners Investment Company, 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 issuer 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)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's forth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11 2018

By: /s/ Brian S. Barbre  
Brian S. Barbre  
Principal Accounting Officer



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

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, in his capacity as interim Chief Executive Officer of Ministry Partners Investment Company, LLC, (the "**Company**") that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the "**Report**") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: May 11, 2018

By: /s/ Joseph W. Turner, Jr.  
Joseph W. Turner, Jr.,  
Chief Executive Officer

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

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, in her capacity as Principal Accounting Officer of Ministry Partners Investment Company, LLC, (the "**Company**") that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the "**Report**") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: May 11, 2018

By: /s/ Brian S. Barbre

Brian S. Barbre,

Principal Accounting Officer

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**Document and Entity  
Information**

**3 Months Ended  
Mar. 31, 2018  
shares**

**Document And Entity Information [Abstract]**

<u>Entity Registrant Name</u>	MINISTRY PARTNERS INVESTMENT COMPANY, LLC
<u>Entity Central Index Key</u>	0000944130
<u>Document Type</u>	10-Q
<u>Document Period End Date</u>	Mar. 31, 2018
<u>Document Fiscal Year Focus</u>	2018
<u>Document Fiscal Period Focus</u>	Q1
<u>Current Fiscal Year End Date</u>	--12-31
<u>Amendment Flag</u>	false
<u>Entity Filer Category</u>	Smaller Reporting Company
<u>Entity Common Stock, Shares Outstanding</u>	146,522

**Consolidated Balance Sheets**  
**- USD (\$)**  
**\$ in Thousands**

	<b>Mar.</b>	<b>Dec.</b>
	<b>31,</b>	<b>31,</b>
	<b>2018</b>	<b>2017</b>
<b><u>Assets:</u></b>		
<u>Cash</u>	\$ 11,879	\$ 9,907
<u>Restricted cash</u>	56	58
<u>Loans receivable, net of allowance for loan losses of \$2,160 and \$2,097 as of March 31, 2018 and December 31, 2017, respectively</u>	144,492	148,835
<u>Accrued interest receivable</u>	725	742
<u>Investments in joint venture</u>	896	896
<u>Property and equipment, net</u>	95	103
<u>Servicing assets</u>	251	270
<u>Other assets</u>	345	211
<u>Total assets</u>	158,739	161,022
<b><u>Liabilities:</u></b>		
<u>NCUA credit facilities</u>	80,265	81,492
<u>Notes payable, net of debt issuance costs of \$72 and \$85 as of March 31, 2018 and December 31, 2017, respectively</u>	68,228	69,003
<u>Accrued interest payable</u>	206	208
<u>Other liabilities</u>	636	890
<u>Total liabilities</u>	149,335	151,593
<b><u>Members' Equity:</u></b>		
<u>Series A preferred units, 1,000,000 units authorized, 117,100 units issued and outstanding at March 31, 2018 and December 31, 2017 (liquidation preference of \$100 per unit): See Note 11</u>	11,715	11,715
<u>Class A common units, 1,000,000 units authorized, 146,522 units issued and outstanding at March 31, 2018 and December 31, 2017; See Note 12</u>	1,509	1,509
<u>Accumulated deficit</u>	(3,820)	(3,795)
<u>Total members' equity</u>	9,404	9,429
<u>Total liabilities and members' equity</u>	\$ 158,739	\$ 161,022

**Consolidated Balance Sheets**  
**(Parenthetical) - USD (\$)**  
**\$ in Thousands**

**Mar. 31, 2018 Dec. 31, 2017**

**Consolidated Balance Sheets [Abstract]**

<u>Allowance for loan losses</u>	\$ 2,160	\$ 2,097
<u>Notes payable, debt issuance costs</u>	\$ 72	\$ 85
<u>Preferred units - Series A, units authorized</u>	1,000,000	1,000,000
<u>Preferred units - Series A, units issued</u>	117,100	117,100
<u>Preferred units - Series A, units outstanding</u>	117,100	117,100
<u>Preferred units - Series A, liquidation preference per unit</u>	\$ 100	\$ 100
<u>Common units - Class A, units authorized</u>	1,000,000	1,000,000
<u>Common units - Class A, units issued</u>	146,522	146,522
<u>Common units - Class A, units outstanding</u>	146,522	146,522

**Consolidated Statements of  
Income - USD (\$)  
\$ in Thousands**

**3 Months Ended  
Mar. 31, 2018 Mar. 31, 2017**

**Interest income:**

<u>Interest on loans</u>	\$ 2,328	\$ 2,327
<u>Interest on interest-bearing accounts</u>	13	13
<u>Total interest income</u>	2,341	2,340

**Interest expense:**

<u>NCUA Credit Facilities</u>	499	535
<u>Notes payable</u>	687	563
<u>Total interest expense</u>	1,186	1,098
<u>Net interest income</u>	1,155	1,242
<u>Provision for loan losses</u>	63	5
<u>Net interest income after provision for loan losses</u>	1,092	1,237

**Non-interest income:**

<u>Broker-dealer commissions and fees</u>	156	146
<u>Other lending income</u>	69	148
<u>Total non-interest income</u>	225	294

**Non-interest expenses:**

<u>Salaries and benefits</u>	714	727
<u>Marketing and promotion</u>	38	19
<u>Office occupancy</u>	37	38
<u>Office operations and other expenses</u>	302	320
<u>Legal and accounting</u>	161	176
<u>Total non-interest expenses</u>	1,252	1,280
<u>Income before provision for income taxes</u>	65	251
<u>Provision for income taxes and state LLC fees</u>	6	6
<u>Net income</u>	\$ 59	\$ 245

**Consolidated Statements of  
Cash Flows - USD (\$)  
\$ in Thousands**

**3 Months Ended  
Mar. 31, 2018 Mar. 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

<u>Net income</u>	\$ 59	\$ 245
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**Adjustments to reconcile net income to net cash used by operating activities:**

<u>Depreciation</u>	8	7
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<u>Amortization of deferred loan fees</u>	(50)	(124)
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<u>Amortization of debt issuance costs</u>	27	27
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<u>Provision for loan losses</u>	63	5
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<u>Accretion of loan discount</u>	(5)	(9)
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<u>Gain on sale of loans</u>		(80)
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**Changes in:**

<u>Accrued interest receivable</u>	16	(6)
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<u>Other assets</u>	(115)	(129)
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<u>Other liabilities and accrued interest payable</u>	(200)	(224)
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<u>Net cash used by operating activities</u>	(197)	(288)
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

<u>Loan originations</u>	(426)	(4,100)
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<u>Loan sales</u>		3,828
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<u>Loan principal collections</u>	4,761	2,784
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<u>Purchase of property and equipment</u>		(10)
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<u>Net cash provided by investing activities</u>	4,335	2,502
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

<u>Net change in NCUA borrowings</u>	(1,227)	(1,197)
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<u>Net change in notes payable</u>	(788)	5,523
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<u>Debt issuance costs</u>	(14)	(21)
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<u>Dividends paid on preferred units</u>	(139)	(129)
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<u>Net cash (used) provided by financing activities</u>	(2,168)	4,176
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<u>Net increase in cash and restricted cash</u>	1,970	6,390
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<u>Cash, cash equivalents, and restricted cash at beginning of period</u>	9,965	10,336
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<u>Cash, cash equivalents, and restricted cash at end of period</u>	11,935	16,726
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**Supplemental disclosures of cash flow information**

<u>Interest paid</u>	1,188	1,091
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<u>Income taxes paid</u>	\$ 7	
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## Summary of Significant Accounting Policies

3 Months Ended  
Mar. 31, 2018

### [Summary of Significant Accounting Policies](#)

#### [\[Abstract\]](#)

### [Summary of Significant Accounting Policies](#)

#### 1. Summary of Significant Accounting Policies

##### *Nature of Business*

Ministry Partners Investment Company, LLC (the “**Company**”) was incorporated in California in 1991 as a C corporation and converted to a limited liability company on December 31, 2008. The Company is owned by a group of 11 federal and state chartered credit unions, as well as the Asset Management Association of the National Credit Union Administration (“**NCUA**”), none of which owns a majority of the voting equity units of the Company. AMAC owns 100% of the Company Units, while our credit union equity holders own both our Class A Common Units and Series A Preferred Units. Offices of the Company are located in California. The Company provides funds for real property secured loans as well as unsecured loans for the benefit of evangelical churches and church organizations from time to time purchases these types of loans from other financial institutions. The Company funds its operations primarily through the sale of securities through other borrowings. Nearly all of the Company’s business and operations currently are conducted in California and its mortgage loan investments in 30 states, with the largest number of loans made to California borrowers.

The Company’s wholly owned subsidiaries are, Ministry Partners Funding, LLC (“**MPF**”), MP Realty Services, Inc., a California corporation (“**MP Realty**”), Ministry Partners Securities, LLC, a Delaware limited liability company (“**MP Securities**”). MPF was formed 2007 and was inactive from November 30, 2014. In December 2014, the Company reactivated MPF to hold loans used as collateral for our new Secured Investment Certificates. MP Realty was formed in 2009, and obtained a license to operate as a corporate real estate broker through the California Department of Real Estate on February 23, 2010. MP Securities has limited operations to date.

MP Securities was formed on April 26, 2010 to provide investment and financing solutions for churches, charitable institutions and faith-based organizations. MP Securities acts as the selling agent for the Company’s public and private placement notes. MP Securities offers a broad scope of investment services including advisory services and the ability to sell various investment products including mutual funds and insurance products. Due to its broad offering, MP Securities is directly regulated by the following federal and state entities: the Securities and Exchange Commission (**SEC**), the Financial Industry Regulatory Authority (**FINRA**), the California Department of Business Oversight, and the California Department of Insurance. In addition, MP Securities is licensed securities divisions in every state in which business is conducted. As of March 31, 2018, MP Securities was licensed to sell insurance products through its dealer firm in 24 states.

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of Ministry Partners Investment Company, LLC and its wholly-owned subsidiaries, MP Securities. All significant inter-company balances and transactions have been eliminated in consolidation.

##### *Conversion to LLC*

Effective as of December 31, 2008, the Company converted its form of organization from a corporation organized under California law to a limited liability company organized under the laws of the State of California. With the filing of Articles of Organization-Conversion with the California Secretary of State, the Ministry Partners Investment Corporation ceased and the entity continued by operation of law under the name Ministry Partners Investment Company, LLC.

Since the conversion became effective, the Company is managed by a group of managers that provides oversight of the affairs and carries out the duties and function that the Board of Directors performed under the previous bylaws. Operating like a Board of Directors, the managers have full, exclusive power and authority to oversee the management of Company affairs. Instead of Articles of Incorporation and Bylaws, management structure and operations are now governed by the provisions of an Operating Agreement that has been entered into by and between the Company’s managers and members.

##### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with a maturity of three months or less. The Company had no cash positions other than demand deposits as of March 31, 2018 and December 31, 2017.

A portion of the Company’s cash held at credit unions is insured by the National Credit Union Insurance Fund, while a portion of cash held at other financial institutions is insured by the Federal Deposit Insurance Corporation (“**FDIC**”). The Company maintains cash that may exceed insured limits. The Company does not have any cash in its cash accounts.

##### *Reclassifications*

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. Neither member’s equity nor net income as of the period ended March 31, 2017 were impacted by the reclassifications.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are expected to have a significant change in the near term relate to, but are not limited to, the determination of the allowance for loan losses and the valuation of foreclosed real estate.

##### *Investments in Joint Venture*



The Company's investment in a joint venture is analyzed for impairment by management on a periodic basis by comparing the carrying value to the underlying real property. Any impairment charges will be recorded as a valuation allowance against the value of the asset. The Company's share of the joint venture will increase or decrease the Company's investment and will be recorded on the income statement as realized gains or losses on investment.

### ***Loans Receivable***

Loans that management has the intent and ability to hold for the foreseeable future are reported at their outstanding unpaid principal balance adjusted for loan losses, deferred loan fees and costs, and loan discounts. Interest income on loans is accrued on a daily basis using the interest method. Loan losses are deferred and recognized as an adjustment to the related loan yield using the interest method. Loan discounts represent interest accrued and uncollected on loans to loan principal balances at the time the loan was restructured. Loan discounts are accreted to interest income over the term of the restructured loan until the loan is fully collectible and is no longer considered impaired. Loan discounts also represent the differences between the purchase price on loans we purchased and the recorded principal balance of the loan. These discounts are accreted to interest income over the term of the loan using the interest method. Discounts are not recorded on income on impaired loans.

The accrual of interest is discontinued at the time a loan is 90 days past due. Accrual of interest can be discontinued prior to the loan becoming 90 days past due if management determines the loan is impaired. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on loans is accrued on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts due are brought current and future payments are reasonably assured.

### ***Allowance for Loan Losses***

The Company sets aside an allowance or reserve for loan losses through charges to earnings, which are shown in the Company's Consolidated Statement of Earnings as a provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is probable. Recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the portfolio based on historical experience of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant change as more information becomes available.

The allowance consists of general and specific components. The general component covers non-classified loans and is based on historical loss experience and qualitative factors. In establishing the allowance for loan losses, management considers significant factors that affect the collectability of the Company's loans. Historical loss experience provides a reasonable starting point for the analysis, such experience by itself does not form a sufficient basis to determine the allowance for loan losses. Management also considers qualitative (or environmental) factors that are likely to cause estimated credit losses on the loan portfolio to differ from historical loss experience, including:

- Changes in lending policies and procedures, including changes in underwriting standards and collection;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans; and
- The effect of credit concentrations.

These factors are adjusted on an on-going basis. The specific component of the Company's allowance for loan losses relates to loans that are classified as impaired. For impaired loans, an allowance is established when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying amount of the loan.

All loans in the loan portfolio are subject to impairment analysis. The Company reviews its loan portfolio monthly by examining delinquency reports and the financial condition of its borrowers and collateral value of its loans. Through this process, the Company identifies potential impaired loans. When a loan is impaired, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and interest according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting future scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. A loan is generally deemed to be impaired when it is 90 days or more past due, or earlier when it is determined that it is probable that a borrower will be unable to make payments in accordance with the loan contract.

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the fair value of the collateral if the loan is collateral-dependent. When the Company modifies the terms of a loan for a borrower experiencing financial difficulties, a troubled debt restructuring is deemed to have occurred and the loan is classified as impaired. Loans or portions thereof are charged off when management determines that they are uncollectible. Uncollectibility is evaluated periodically on all loans classified as "Loans of Lesser Quality." As the Company's practice of working to explore every possible means of repayment with its borrowers, it has historically not charged off a loan until the borrower has exhausted all means of making loan payments from cash flows, at which point the underlying collateral becomes subject to foreclosure. Among other variables considered in assessing uncollectibility are factors such as the financial condition of the borrower, and the value of the underlying collateral in assessing uncollectibility.

### ***Troubled Debt Restructurings***

A troubled debt restructuring is a loan for which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. A restructuring of a loan usually involves an interest rate modification, extension of the maturity date, or reduction of the principal amount on the loan on a contingent or absolute basis.

Loans that are renewed at below-market terms are considered to be troubled debt restructurings if the below-market terms represent a concession to the borrower due to the borrower's troubled financial condition. Troubled debt restructurings are classified as impaired loans and are measured at the present value of estimated future cash flows.

effective rate at inception of the loan. The change in the present value of cash flows attributable to the passage of time is reported as interest income. If the collateral is to be collateral-dependent, impairment is measured based on the fair value of the collateral.

### ***Loan Portfolio Segments and Classes***

Management segregates the loan portfolio into portfolio segments for purposes of evaluating the allowance for loan losses. A portfolio segment is a group of loans for which the Company develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

Company's loan portfolio consists of one segment – church loans. The loan portfolio is segregated into the following portfolio classes:

***Wholly-Owned First Collateral Position.*** This portfolio class consists of wholly-owned loans and the retained portion of loans originated by the Company for which the Company possesses a senior lien on the collateral underlying the loan.

***Wholly-Owned Junior Collateral Position.*** This portfolio class consists of the wholly-owned loans and the retained portion of loans originated by the Company for which the Company possesses a lien on the underlying collateral that is superseded by another lien on the same collateral. This class also consists of loans that are not fully secured. These loans present higher credit risk than loans for which the Company possesses a senior lien due to the increased risk of loss should the collateral value decline.

***Participations First Collateral Position.*** This portfolio class consists of the participated loans purchased from another financial entity for which the Company possesses a senior lien on the collateral underlying the loan. Loan participations purchased present higher credit risk than wholly owned loans because the Company does not have full control over the disposition and direction of actions regarding the management and collection of the loans. The lead lender directs most servicing and major actions must be coordinated and negotiated with the other participants, whose best interests regarding the loan may not align with those of the Company.

***Participations Junior Collateral Position.*** This portfolio class consists of the participated loans purchased from another financial entity for which the Company possesses a junior lien on the underlying collateral that is superseded by another lien on the same collateral. Loan participations in the junior collateral position loans present higher credit risk than wholly owned loans and participated loans purchased where the Company possesses a senior lien on the collateral. The increased risk is the result of the factors mentioned above relating to both junior lien positions and participations.

### ***Credit Quality Indicators***

The Company's policies provide for the classification of loans that are considered to be of lesser quality as watch, special mention, substandard, or loss. Special mention assets exhibit potential or actual weaknesses that present a higher potential for loss under certain conditions. An asset is classified as substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those with the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on currently existing facts, conditions and values. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their liquidation is not warranted. Assets that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which require close attention, are designated as watch. Loans designated as watch are considered pass loans.

The Company has established a standard loan grading system to assist management and review personnel in their analysis and supervision of the loan portfolio. The grading system is as follows:

***Pass:*** The borrower has sufficient cash to fund debt services. The borrower may be able to obtain similar financing from other lenders with comparable terms. Default is considered low.

***Watch:*** These loans exhibit potential or developing weaknesses that deserve extra attention from credit management personnel. If the developing weaknesses are not mitigated, there may be deterioration in the ability of the borrower to repay the debt in the future. Loans graded Watch must be reported to the Board of Managers. Potential for loss under adverse circumstances is elevated, but not foreseeable. Watch loans are considered pass loans.

***Special mention:*** These credit facilities exhibit potential or actual weaknesses that present a higher potential for loss under adverse circumstances, but do not require close attention. If uncorrected, these weaknesses may result in deterioration of the repayment prospects for the loan at some future date.

***Substandard:*** Loans and other credit extensions bearing this grade are considered to be inadequately protected by the current sound worth and paying capacity of the borrower or of any pledged collateral. These obligations, even if apparently protected by collateral value, have well-defined weaknesses resulting from managerial, economic, ministry, or environmental conditions which have clearly jeopardized repayment of principal and interest as originally intended. There is the possibility that some future loss will be sustained if such weaknesses are not corrected.

***Doubtful:*** This classification consists of loans that display the properties of substandard loans with the added characteristic that the severity of the loss on collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values. The probability of loss is high because of certain important and reasonably specific factors, the amount of loss cannot be exactly determined. Such pending factors could include lack of additional capital injection, refinancing plans, or perfection of liens on additional collateral.

***Loss:*** Loans in this classification are considered uncollectible and cannot be justified as a viable asset. This classification does not mean the loan has no value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

### ***Foreclosed Assets***

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal. After foreclosure, valuations are periodically performed by management, and foreclosed assets held for sale are carried at the lower of cost or estimated costs of disposal. Any write-down to fair value just prior to the transfer to foreclosed assets is charged to the allowance for loan losses. Estate assets acquired through foreclosure or other proceedings are evaluated regularly to ensure that the recorded amount is supported by its fair value. Valuation allowances to reduce the varying amount to fair value less estimated costs of disposal are recorded as necessary. Revenue and expenses related to the Company's foreclosed assets and changes in the valuation allowance are included in net expenses from foreclosed assets. When the foreclosed property is sold, the gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

### ***Transfers of Financial Assets***

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to have been surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of) to exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

The Company, from time to time, sells participation interests in mortgage loans it has originated or acquired. In order to recognize the transfer of a financial asset as a sale, the transferred portion and any portion that continues to be held by the transferor must represent a participating interest, and the transferor must meet the conditions for surrender of control. To qualify as a participating interest (i) each portion of a financial asset must represent a proportionate share of an entire financial asset, (ii) from the date of transfer, all cash flows received from the entire financial asset must be divided proportionately among the holders in an amount equal to their share of ownership, (iii) the transfer must be made on a non-recourse basis (other than standard representations and warranties in the loan participation sale agreement) to, or subordination by, any participating interest holder, and (iv) no party has the right to pledge or exchange the financial asset. If the participating interest or surrender of control criteria is not met, the transaction is accounted for as a secured borrowing arrangement.

Under some circumstances, when the Company sells participations in wholly owned loans receivable that it services, it retains a servicing asset at fair value. As quoted market prices are generally not available for these assets, the Company estimates fair value based on the present value of cash flows associated with the loan receivable. The Company amortizes servicing assets over the life of the associated receivable using the interest method. The gain or loss on the sale of loans receivable depends in part on both the previous carrying amount of the financial assets involved in the sale, allocated between the sold and retained interests that continue to be held by the Company based on their relative fair value at the date of transfer, and the proceeds received.

### ***Property and Equipment***

Furniture, fixtures, and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

### ***Debt Issuance Costs***

Debt issuance costs are related to borrowings from financial institutions as well as public offerings of unsecured notes, and are amortized into expense over the contractual terms of the debt using the straight-line method.

### ***Employee Benefit Plan***

Contributions to the qualified employee retirement plan are recorded as compensation cost in the period incurred.

### ***Income Taxes***

The Company has elected to be treated as a partnership for income tax purposes. Therefore, income and expenses of the Company are passed through to the partners for reporting purposes. According to its operating agreement, Tesoro Hills, LLC, a joint venture in which the Company has an investment, has also elected to be treated as a partnership for income tax purposes. The Company and MP Securities are subject to a California LLC fee.

The Company uses a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax positions. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that do not meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is met.

### ***New accounting guidance***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes existing accounting standards for revenue recognition and creates a single framework. ASU 2014-09 and all subsequent amendments to it ("ASC 606") requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets such as other real estate owned. This standard also requires an entity to recognize certain costs to obtain or fulfill a contract with a customer. The Company's implementation efforts included a detailed review of revenue contracts, the new guidance and an evaluation of the impact on the Company's revenue recognition policies. No transition-related practical expedients were applied. The Company adopted this ASU on its effective date, January 1, 2018, and it had no impact on the timing of the Company's revenue recognition.

The majority of Company's revenues come from interest income, which is outside the scope of ASC 606. Company's revenues that are within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Revenues within the scope of ASC 606 include wealth advisory fees, investment brokerage fees, and other service and miscellaneous income.

The Company adopted ASC 606 using the modified retrospective method applied on all contracts not completed as of January 1, 2018. Results for periods after January 1, 2018 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles ("GAAP"). The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, no adjustments were recorded.

### ***Recent Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)." ASU 2016-02 establishes a right of use model that requires a lessee to recognize a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affected by the lease's terms and substance. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. Leases will be treated as sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are not transferred, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use the modified retrospective method of transition.

approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients. Early adoption is permitted. Management is assessing the impact of ASU 2016-02 on its accounting and disclosures and expects this pronouncement to have a minimal impact on the Company's consolidated financial position or results of operation.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. ASU 2016-13 also modifies the accounting for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their acquisition. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for periods within those fiscal years, beginning after December 15, 2018. The guidance requires companies to apply the requirements in the year of adoption with some aspects of the update requiring a prospective transition approach. Management is currently evaluating the potential impact of ASU 2016-13 on the consolidated financial statements.

**Pledge of Cash and  
Restricted Cash**

**3 Months Ended  
Mar. 31, 2018**

**Pledge of Cash and  
Restricted Cash [Abstract]**

**Pledge of Cash and Restricted  
Cash**

**2. Pledge of Cash and Restricted Cash**

Some of the Company's cash may be pledged as collateral for its borrowings and is considered restricted cash. At March 31, 2018 and December 31, 2017, the Company held no pledged cash.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows (dollars in thousands):

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 11,879	\$ 9,907
Restricted cash	56	58
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>11,935</u>	<u>9,965</u>

Amounts included in restricted cash represent those required to be set aside with the Central Registration Depository ("CRD") account with FINRA as well as funds the Company has deposited with RBC Dain as clearing deposits. The CRD funds may only be used for fees charged by FINRA to maintain the membership status of the Company, as well as fees related to registered and associated persons of the Company. At March 31, 2018 and December 31, 2017, restricted cash held in the CRD account totaled \$876 and \$236, respectively. At March 31, 2018 and December 31, 2017, restricted cash held with RBC Dain totaled \$55,003 and \$57,743.

## Related Party Transactions

**3 Months Ended  
Mar. 31, 2018**

### [Related Party Transactions](#)

#### [\[Abstract\]](#)

### [Related Party Transactions](#)

#### 3. Related Party Transactions

##### *Transactions with Equity Owners*

##### *Transactions with ECCU*

Abel Pomar began serving as a member of the Company's Board of Managers in February 2016. Mr. Pomar currently serves as the President, Chief Executive Officer of ECCU.

The Company maintains a portion of its cash funds at ECCU, its largest equity investor. Total funds held with ECCU were \$907 thousand and \$1.1 million at March 31, 2018 and December 31, 2017, respectively. Interest earned on funds held with ECCU totaled \$1 thousand and \$2 thousand for the three months ended March 31, 2018 and 2017, respectively.

The Company leases physical facilities and purchase other services from ECCU pursuant to a written lease and services agreement. Rent expense of \$26 thousand during the three month periods ended March 31, 2018 and 2017 was paid to ECCU. Charges for other services purchased from ECCU were immaterial. All of these charges are included in Office Occupancy or Office Operations expense on the Company's financial statements. The method used to arrive at the periodic charge is based on the fair market value of services provided. Management believes that such method is reasonable.

Occasionally, the Company purchases loan participation interests from ECCU, its largest equity owner. At March 31, 2018, the Company's investment loan participations serviced by ECCU totaled \$7.6 million, with ECCU servicing 6 of the Company's 164 loans. During the three months ended March 31, 2018 and 2017, the Company did not purchase any loans from ECCU. The Company recognized \$99 thousand and \$152 thousand of interest income during the three months ended March 31, 2018 and 2017, respectively, on its investment in loans purchased from ECCU. Loan participations the Company purchased from ECCU generally have pass-through rates which are up to 75 basis points lower than the loan's contractual rate. The Company has negotiated the pass-through interest rates with ECCU on a loan by loan basis.

On October 6, 2014, MP Securities, the Company's wholly-owned subsidiary, entered into a Networking Agreement with ECCU pursuant to which MP Securities will assign one or more registered sales representatives to one or more locations designated by ECCU and offer investment products, investment advisory services, insurance products, annuities and mutual fund investments to ECCU's members. MP Securities has agreed to offer only those investment products and services that have been approved by ECCU or its Board of Directors and comply with applicable investor suitability standards required by federal and state securities laws and regulations. MP Securities offers these products and services to ECCU members in accordance with NCUA rules and regulations and in compliance with its membership agreement with FINRA. MP Securities has agreed to compensate ECCU for permitting it to use the designated location to offer such products and services to ECCU's members under an arrangement that will entitle ECCU to be paid a percentage of total revenue received by MP Securities from transactions conducted for or on behalf of ECCU members. The Networking Agreement may be terminated by either ECCU or MP Securities without cause upon thirty days prior written notice. MP Securities paid \$4 thousand and \$9 thousand to ECCU under the terms of this agreement during the three months ended March 31, 2018 and 2017, respectively.

On April 8, 2016, the Company and ECCU entered into a Master Services Agreement (the "**Services Agreement**"), pursuant to which the Company will provide marketing, member and client services, operational and reporting services to ECCU commencing on the effective date of

the Services Agreement and ending on December 31, 2016; provided, however, that unless either party provides at least thirty (30) days written notice to the other party prior to its expiration, the agreement will automatically renew for successive one year periods. The agreement was renewed on March 1, 2018 for an additional six months. Either party may terminate the Services Agreement for any reason by providing thirty (30) days prior written notice. The Company has agreed to assign a designated service representative which must be approved by ECCU in performing its duties under the Agreement. Pursuant to the terms of the Services Agreement, the Company will make visits, deliver reports, provide marketing, educational and loan related services to ECCU's members, borrowers, leads, referral sources and contacts in the southeast region of the United States. The agreement was amended on March 1, 2018 and now includes referral fee income paid by either party on the successful closing of a referred loan. For the three month periods ended March 31, 2018 and 2017, the Company recognized \$14 thousand during each period in income as a result of this agreement.

On October 5, 2016, the Company entered into a Successor Servicing Agreement with ECCU pursuant to which the Company has agreed to serve as the successor loan servicing agent for certain mortgage loans designated by ECCU in the event ECCU requests that the Company assume its obligation to act as the servicing agent for those loans. The term of the Agreement is for a period of three years. For the three months ended March 31, 2018 and 2017, the Company recognized \$2 thousand and \$3 thousand, respectively in income as a result of this agreement.

### ***Transactions with ACCU***

On May 4, 2017, America's Christian Credit Union ("ACCU") acquired 12,000 Class A Units and 12,000 Series A Preferred Units of the Company's Class A Common Units and Series A Preferred Units, respectively, which represents 8.19% of the Company's issued and outstanding Class A Units and 10.25% of the Company's issued and outstanding Series A Preferred Units from Financial Partners Credit Union, a California state chartered credit union ("FPCU"). The Company's Board of Managers approved ACCU's purchase of the Membership Units from FPCU and has consented to ACCU's request to be admitted as a new member of the Company. ACCU's purchase of the Class A Units and Series A Preferred Units was consummated pursuant to a privately negotiated transaction.

On April 15, 2016, Mendell Thompson was appointed to the Company's Board of Managers. Mr. Thompson currently serves as President and Chief Executive Officer of ACCU.

Occasionally, the Company sells or purchases participation interests from ACCU. The Company sold no loans and \$1.9 million of loans to ACCU during the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and 2017, the outstanding balance of loan participations sold to ACCU was \$2.7 million and \$4.2 million, respectively.

In addition, the Company's wholly-owned subsidiary, MP Securities has a Networking Agreement with ACCU pursuant to which MP Securities will assign one or more registered sales representatives to one or more locations designated by ACCU and offer investment products, investment advisory services, insurance products, annuities and mutual fund investments to ACCU's members. MP Securities has agreed to offer only those investment products and services that have been approved by ACCU or its Board of Directors and comply with applicable investor suitability standards required by federal and state securities laws and regulations. MP Securities offers these products and services to ACCU members in accordance with NCUA rules and regulations and in compliance with its membership agreement with FINRA. MP Securities has agreed to compensate ACCU for permitting it to use the designated location to offer such products and services to ACCU's members under an arrangement that will entitle ACCU to be paid a percentage of total revenue received by MP Securities from transactions conducted for or on behalf of ACCU members. The Networking Agreement may be terminated by either ACCU or MP Securities without cause upon thirty days prior written notice. MP Securities paid \$15 thousand and \$28 thousand to ACCU under the terms of this agreement during the three months ended March 31, 2018 and 2017, respectively

From time to time, the Company's Board and members of its executive management team have purchased investor notes from the Company or have purchased investment products through MP Securities. Investor notes payable to related parties totaled \$253 thousand and \$250 thousand at March 31, 2018 and December 31, 2017.

### ***Transactions with Other Equity Owners***

On August 14, 2013, the Company entered into a Loan Participation Agreement with Western Federal Credit Union, which has since changed its name to UNIFY Financial Credit Union ("UFCU"). UFCU is an owner of both the Company's Class A Common Units and Series A Preferred Units. Under this agreement, the Company sold UFCU a \$5.0 million loan participation interest in one of its mortgage loan interests. As part of this agreement, the Company retained the right to service the loan, and it charges UFCU 50 basis points for servicing the loan.

### ***Transactions with Subsidiaries***

The Company entered into a Managing Participating Broker Agreement (the "**MPB Agreement**"), amended effective May 24, 2017, with MP Securities pursuant to which MP Securities acted as the managing broker for the offering of its Class 1 Notes. The Class 1 Note offering expired December 31, 2017. Under the terms of the MPB Agreement, it paid selling commissions ranging from 0.25% to a maximum of 5.50% over the life of a Class 1 Note.

Effective as of February 27, 2018, the Company commenced offering its Class 1A notes as a replacement for its Class 1 Notes. Pursuant to the terms of the Managing Broker Agreement (the "**Class 1A Notes Selling Agreement**"), MP Securities serves as the managing broker for the Company's Class 1A Notes Offering. Under the terms of the Class 1A Notes Selling Agreement, the Company will pay MP Securities a 1.50% initial sales commission on the sale of the Company's Class 1A Notes. MP Securities will receive an account servicing fee equal to 1% per annum of the principal balance of a Class 1A Note purchased, determined on a monthly basis, commencing one year after the purchase of a Note; subject however, to a maximum gross fee of 5.50% over the term of a Class 1A Note. The Company reserves the right to waive, reduce, or suspend payment of this account servicing fee at any time. In addition, no account servicing fee will be assessed on any Class 1A Note purchased once the total compensation paid to MP Securities resulting from the purchase of a Class 1A Note reaches 5.5%. The account servicing fee will not be assessed on any outstanding Class 1 or Class A Notes.

For each sale of a Note, the Company will pay a 0.50% processing fee on the purchase of a Class 1A Note, payable at closing of a purchase of a Note. The Company reserves the right to waive, reduce or suspend payment of the processing fee at any time.

The Company has also entered into a selling agreement with its wholly-owned subsidiary, MP Securities, pursuant to which MP Securities will sell its Series 1 Subordinated Capital Notes (the "**Subordinated Capital Notes**") and its 2013 International Notes (the "**International Notes**"). The Company has transitioned its compensation arrangement with MP Securities to an assets under management fee that will pay MP Securities a fee equal to 1% per annum of the outstanding balances of the Subordinated Capital Notes and International Notes; subject, however, to a maximum gross dealer compensation of 2.5%. No selling commissions will be paid to MP Securities on any new sales of the Company's Subordinated Capital Notes and International Notes. The Company reserves the right to waive, reduce, or suspend payment of the assets under management fee at any time. At no time will the compensation paid to MP Securities pursuant to an assets under management fee be assessed on a Subordinated Capital Note or International Note purchased prior to July 1, 2017 when a 2.5% commission was previously paid on the purchase transaction. In addition, no assets under management fee will be assessed on any note purchased prior to July 1, 2017 once the total compensation paid to MP Securities resulting from the purchase of such note reaches 2.5%. For each sale of a Subordinated Capital Notes and International Note, the Company will pay a 0.50% processing fee on the purchase of a note, payable at closing of a purchase of a note.



In connection with the Company's Secured Note offering, it has engaged MP Securities to act as its managing broker for the offering. Under the terms of a Managing Broker-Dealer Agreement entered into by and between the Company and MP Securities, it will pay selling commissions ranging from 2% to a maximum of 5% on Secured Notes. The Company will also pay MP Securities a .50% processing fee on the purchase of a Secured Note. Pursuant to a Loan and Security Agreement, dated December 15, 2014, entered into by and among the Company, MPF and the holders of its Secured Notes (the "**Loan Agreement**"), MPF serves as the collateral agent for the Company's Secured Notes. The Company will pledge and deliver mortgage loans and cash to MPF to serve as collateral for the Secured Notes. As custodian and collateral agent for the Secured Notes, MPF will monitor the Company's compliance with the terms of the Loan Agreement, take possession of, hold, operate, manage or sell the collateral conveyed to MPF for the benefit of the Secured Note holders. MPF is further authorized to pursue any remedy at law or in equity after an event of default occurs under the Loan Agreement.

The Company's Secured Note Offering terminated effective on December 31, 2017. On April 30, 2018, the Company launched a new secured note offering of up to \$80 million of its Secured Notes to replace its previous Secured Note Offering. The Company also entered into a Selling Agreement with MP Securities (the "**Secured Notes Selling Agreement**") effective as of April 30, 2018, pursuant to which the Company has appointed MP Securities as its selling agent to market and distribute the Secured Notes. Under the terms of the Secured Notes Selling Agreement, MP Securities will receive an assets under management fee equal to 1% of the principal balance of the Secured Notes that are issued and outstanding, payable on a monthly basis. In addition, the Company will pay MP Securities a 0.50% processing fee of the total amount of Secured Notes purchased, payable at the closing of such purchase.

The Company has also signed an Administrative Services Agreement with MP Securities which stipulates that it will provide certain services to MP Securities. This agreement was updated in November 2017 and February of 2018. These services include the lease of office space, use of equipment, including computers and phones, and payroll and personnel services. The February 2018 amendment was updated to include an annual servicing fee of \$250 thousand to be paid to MP Securities on a quarterly basis in 2018. In exchange for providing these services, MP Securities will provide ministerial, compliance, marketing, operational and investor relations related services regarding the Company's investor note program. In December 2016, the Board authorized the officers of the Company to waive and abate MP Securities' obligation to pay the Company for these services for a limited period of time not to exceed twelve months and subject to a maximum expense abatement of \$250 thousand. The expense abatement authorization agreement was not renewed at expiration in November of 2017. Under this abatement agreement, no abatements had been requested by MP Securities or made by the Company.

To assist in evaluating any related transactions the Company may enter into with a related party, the Board has adopted a Related Party Transaction Policy. Under this policy, a majority of the members of the Company's Board and majority of its independent Board members must approve a material transaction that it enters into with a related party. As a result, all transactions that the Company undertakes with an affiliate or related party are on terms believed by its management to be no less favorable than are available from unaffiliated third parties and are approved by a majority of its independent Board members.

**Loans Receivable and  
Allowance for Loan Losses**

**3 Months Ended  
Mar. 31, 2018**

**Loans Receivable and  
Allowance for Loan Losses**

**[Abstract]**

**Loans Receivable and  
Allowance for Loan Losses**

**4. Loans Receivable and Allowance for Loan Losses**

The Company's loan portfolio is comprised of one segment – church loans. The loans fall into four classes, which include wholly-owned loans for which the Company possesses the first collateral position, wholly-owned loans that are either unsecured or for which the Company possesses a junior collateral position, participated loans purchased for which the Company possesses the first collateral position, and participated loans purchased for which the Company possesses a junior collateral position. See "Note 1 – Loan Portfolio Segments and Classes" to Part I "Financial Information" of this Report.

All of our loans are made to various evangelical churches and related organizations, primarily to purchase, construct or improve facilities. Loan maturities extend through 2027. Loans yielded a weighted average of 6.35% and 6.31% as of March 31, 2018 and December 31, 2017, respectively. A summary of the Company's mortgage loans owned as of March 31, 2018 and December 31, 2017 is as follows (dollars in thousands):

	March 31, 2018	December 31 2017
<b>Loans to evangelical churches and related organizations:</b>		
Real estate secured	\$ 148,110	\$ 151,214
Unsecured	269	1,500
Total loans	<u>148,379</u>	<u>152,714</u>
Deferred loan fees, net	(862)	(911)
Loan discount	(865)	(871)
Allowance for loan losses	(2,160)	(2,097)
Loans, net	<u>\$ 144,492</u>	<u>\$ 148,835</u>

***Allowance for Loan Losses***

The Company has established an allowance for loan losses of \$2.2 million as of March 31, 2018 and December 31, 2017 for loans held in its mortgage portfolio. For the three months ended March 31, 2018 and the year ended December 31, 2017 recorded no charge-offs and \$40 thousand in charge-offs on its mortgage loan investments, respectively. Management believes that the allowance for loan losses as of March 31, 2018 and December 31, 2017 is appropriate.

Changes in the allowance for loan losses for the three months ended March 31, 2018 and the year ended December 31, 2017 are as follows (dollars in thousands):

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 2,097	\$ 1,875
Provision for loan loss	63	262
Chargeoffs	--	(40)
Balance, end of period	<u>\$ 2,160</u>	<u>\$ 2,097</u>

Loans by portfolio segment (church loans) and the related allowance for loan losses are presented below. Loans and the allowance for loan losses are further segregated by impairment methodology (dollars in thousands).

**Loans and Allowance for Loan Losses (by segment)**  
**As of**

	March 31, 2018	December 31, 2017
Loans:		
Individually evaluated for impairment	\$ 9,102	\$ 9,255
Collectively evaluated for impairment	139,277	143,459
Balance	<u>\$ 148,379</u>	<u>\$ 152,714</u>
Allowance for loan losses:		
Individually evaluated for impairment	\$ 1,293	\$ 1,260
Collectively evaluated for impairment	867	837
Balance	<u>\$ 2,160</u>	<u>\$ 2,097</u>

The Company has established a standard loan grading system to assist management and loan review personnel in their analysis and supervision of the loan portfolio. The following table is a summary of the loan portfolio credit quality indicators by loan class at March 31, 2018 and December 31, 2017, which is the date on which the information was updated for each credit quality indicator (dollars in thousands):

**Credit Quality Indicators (by class)**

**As of March 31, 2018**

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
Grade:					
Pass	\$ 111,067	\$ 3,987	\$ 7,891	\$ --	\$ 122,945
Watch	16,123	--	209	--	16,332
Special mention	3,100	--	--	--	3,100
Substandard	5,808	194	--	--	6,002
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
Total	<u>\$ 136,098</u>	<u>\$ 4,181</u>	<u>\$ 8,100</u>	<u>\$ --</u>	<u>\$ 148,379</u>

**Credit Quality Indicators (by class)**

**As of December 31, 2017**

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
Grade:					
Pass	\$ 115,422	5,269	9,474	--	\$ 130,165
Watch	13,082	--	212	--	13,294
Special mention	3,152	--	--	--	3,152
Substandard	5,907	196	--	--	6,103
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
Total	<u>\$ 137,563</u>	<u>\$ 5,465</u>	<u>\$ 9,686</u>	<u>\$ --</u>	<u>\$ 152,714</u>

The following table sets forth certain information with respect to the Company's loan portfolio delinquencies by loan class and amount at March 31, 2018 and December 31, 2017 (dollars in thousands):

***Age Analysis of Past Due Loans (by class)***  
***As of March 31, 2018***

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ 6,279	\$ --	\$ 2,810	\$ 9,089	\$ 127,009	\$ 136,098	\$ --
Wholly- Owned Junior	194	--	--	194	3,987	4,181	--
Participation First	--	--	--	--	8,100	8,100	--
Participation Junior	--	--	--	--	--	--	--
Total	<u>\$ 6,473</u>	<u>\$ --</u>	<u>\$ 2,810</u>	<u>\$ 9,283</u>	<u>\$ 139,096</u>	<u>\$ 148,379</u>	<u>\$ --</u>

***Age Analysis of Past Due Loans (by class)***  
***As of December 31, 2017***

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ --	3,521	1,587	\$ 5,108	\$ 132,455	\$ 137,563	\$ --
Wholly- Owned Junior	--	196	--	196	5,269	5,465	--
Participation First	--	--	--	--	9,686	9,686	--
Participation Junior	--	--	--	--	--	--	--
Total	<u>\$ --</u>	<u>\$ 3,717</u>	<u>\$ 1,587</u>	<u>\$ 5,304</u>	<u>\$ 147,410</u>	<u>\$ 152,714</u>	<u>\$ --</u>

***Non-Performing Loans***

Non-performing loans include non-accrual loans, loans 90 days or more past due and still accruing, and restructured loans. Non-accrual loans represent loans on which interest accruals have been discontinued. Restructured loans are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress. Non-performing loans are closely monitored on an ongoing basis as part of management's loan review and work-out process. The potential risk of loss on these loans is evaluated by comparing the loan balance to the fair value of any underlying collateral or the present value of projected future cash flows.

The following tables are summaries of impaired loans by loan class as of three months ended March 31, 2018 and 2017, and the year ended December 31, 2017, respectively. The unpaid principal balance reflects the contractual principal outstanding on the loan less interest payments recorded against principal on collateral-dependent loans. The net loan principal balance reflects the unpaid principal balance less specific allowances recorded against impaired loans. The net recorded investment in impaired loans reflects the loan principal balance less discounts (dollars in thousands):

***Impaired Loans (by class)***

***As of March 31, 2018***

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 4,876	\$ --	\$ 4,876	\$ 443	\$ 4,433
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	6,758	1,293	5,465	294	5,171
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,850</u>	<u>\$ 1,293</u>	<u>\$ 10,557</u>	<u>\$ 748</u>	<u>\$ 9,809</u>

***For the three months ended March 31, 2018***

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 4,885	\$ 24
Wholly-Owned Junior	216	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	6,763	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	<u>\$ 11,864</u>	<u>\$ 24</u>

***Impaired Loans (by class)***

**As of December 31, 2017**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 6,395	\$ --	\$ 6,395	\$ 443	\$ 5,952
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	5,271	1,260	4,011	319	3,692
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,882</u>	<u>\$ 1,260</u>	<u>\$ 10,622</u>	<u>\$ 773</u>	<u>\$ 9,849</u>

**For the year ended December 31, 2017**

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 4,703	\$ --
Wholly-Owned Junior	200	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	4,163	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	<u>\$ 9,067</u>	<u>\$ --</u>

**Impaired Loans (by class)**

**As of March 31, 2017**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 4,267	\$ --	\$ 4,267	\$ 425	\$ 3,842

Wholly-Owned Junior	202	--	202	11	191
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	4,256	1,072	3,184	319	2,865
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
Total:					
Church loans	<u>\$ 8,725</u>	<u>\$ 1,072</u>	<u>\$ 7,653</u>	<u>\$ 756</u>	<u>\$ 6,898</u>

*For the three months ended March 31, 2017*

Average Recorded Investment	Interest Income Recognized
--------------------------------	-------------------------------

With no allowance recorded:					
Church loans:					
Wholly-Owned First		\$	3,880	\$	--
Wholly-Owned Junior			192		--
Participation First			--		--
Participation Junior			--		--
With an allowance recorded:					
Church loans:					
Wholly-Owned First			3,972		--
Wholly-Owned Junior			--		--
Participation First			--		--
Participation Junior			--		--
Total:					
Church loans		\$	<u>8,045</u>	\$	<u>--</u>

A summary of nonaccrual loans by loan class at March 31, 2018 and December 31, 2017 is as follows (dollars in thousands):

***Loans on Nonaccrual Status (by class)***

***As of March 31, 2018***

Church loans:					
Wholly-Owned First		\$	8,013		
Wholly-Owned Junior			194		
Participation First			--		
Participation Junior			--		
Total		\$	<u>8,207</u>		

***Loans on Nonaccrual Status (by class)***

***As of December 31, 2017***

Church loans:					
Wholly-Owned First		\$	8,167		

Wholly-Owned Junior	196
Participation First	--
Participation Junior	--
<b>Total</b>	<b>\$ 8,363</b>

The Company restructured no loans during each of the three month periods ended March 31, 2018 and 2017.

The Company had five restructured loans that were past maturity as of December 31, 2017. For each of these loans, the Company has entered into forbearance agreements with the borrowers and is evaluating what actions it should undertake to restructure these mortgage loans and protect its investment in these loans.

Loans modified in a troubled debt restructuring are closely monitored for delinquency as an early indicator for future default. If loans modified in a troubled debt restructuring subsequently default, management evaluates such loans for potential further impairment. As a result of this evaluation, specific reserves may be increased or adjustments may be made in the allocation of reserves.

As of March 31, 2018, no additional funds were committed to be advanced in connection with loans modified as troubled debt restructurings.



## Investments in Joint Venture

**3 Months Ended  
Mar. 31, 2018**

### Investments in Joint Venture

#### [Abstract]

#### Investments in Joint Venture

#### 5. Investments in Joint Venture

In December 2015, the Company finalized an agreement with Intertex Property Management, Inc., a California corporation, to enter into a joint venture to form Tesoro Hills, LLC (the “**Valencia Hills Project**”), a company that will develop and market property formerly classified by the Company as a foreclosed asset. In January 2016, the Company transferred ownership in the foreclosed asset to the Valencia Hills Project as part of the agreement and reclassified the carrying value of the property from foreclosed assets to investments in joint venture. The Company’s initial investment in the joint venture was \$900 thousand, which was equal to its carrying value in the foreclosed asset at December 31, 2015.

The joint venture incurred \$0 and \$1 thousand in losses for the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and December 31, 2017, the value of the Company’s investment in the property is \$896 thousand and \$896, respectively. Management has conducted an evaluation of the investment as of March 31, 2018 and has determined that the investment is not impaired.

## Revenue Recognition

3 Months Ended  
Mar. 31, 2018

### [Revenue Recognition](#)

#### [\[Abstract\]](#)

#### [Revenue Recognition](#)

### 6. Revenue Recognition

Pursuant to the adoption of ASU 2014-09, the following disclosures discuss the Company's revenue recognition accounting policies. The Company recognizes two primary types of revenue: interest income and noninterest income.

#### *Interest Income*

The Company's principal source of revenue is interest income from loans, which is recognized on an accrual basis using the effective interest method. Interest income is not within the scope of ASC Topic 606, Revenues from Contracts with Customers.

#### *Noninterest Income*

Noninterest income includes revenue from various types of transactions and services provided to customers. The following tables reflect the Company's noninterest income disaggregated by financial statement line item. Items outside of scope of ASC 606 are noted as such. The commentary following the tables describes the nature, amount, and timing of the related revenue streams (dollars in thousands):

	Three months ended March 31,	
	2018	2017
Non-interest income		
Wealth advisory fees	\$ 49	\$ 37
Investment brokerage fees	106	109
Lending fees (1)	41	130
Other non-interest income	29	18
Total non-interest income	\$ 225	\$ 294

(1) Not within scope of ASC 606

The following is a description of principal activities from which the Company generates non-interest income revenue. Revenues are recognized as the Company satisfies its obligations with our clients, service partners and borrowers, in an amount that reflects the consideration that we expect to receive in exchange for those services.

#### *Wealth advisory fees*

Wealth advisory fees are generally recognized over time as services are rendered and are based on either a percentage of the market value of the assets under management, or fixed based on the services provided to the client. The Company's execution of these services represents its related performance obligations. Fees are calculated quarterly and are usually collected at the beginning of the period from the client's account and recognized ratably over the related billing period.

#### *Investment brokerage fees*

Investment brokerage fees arise from selling and distribution services, and trade execution services. The Company's execution of these services represents its related performance obligations.

The Company also offers selling and distribution services and earns commissions through the sale of annuity and mutual fund products. The Company acts as an agent in these transactions and recognizes revenue at a point in time when the customer executes a contract with a product carrier. The Company may also receive trailing commissions and 12b-1 fees related to mutual fund and annuity products, and recognizes this revenue in the period that they are realized since the revenue cannot be accurately predicted at the time the policy becomes effective.

Trade execution commissions are earned and recognized on the trade date, when the Company executes a trade for a customer. Payment for the trade execution is due on the settlement date.

## Loan Participation Sales

**3 Months Ended  
Mar. 31, 2018**

### [Loan Participation Sales](#)

#### [\[Abstract\]](#)

### [Loan Participation Sales](#)

#### 7. Loan Participation Sales

During the three months ended March 31, 2018, the Company sold no participations in church loans. During the year ended December 31, 2017, the Company sold participations in 6 church loans totaling \$9.7 million. As a result of these sales, the Company recorded servicing assets totaling \$203 thousand. Servicing assets are amortized using the interest method as an adjustment to servicing fee income. Amortization totaled \$19 thousand and \$20 thousand for the three months ended March 31, 2018 and 2017.

A summary of servicing assets for the three months ended three months ended March 31, 2018 and 2017, and the year ended December 31, 2017 is as follows (dollars in thousands):

	For the three months ended		For the year
	March 31,		ended
	2018	2017	December 31,
			2017
Balance, beginning of period	\$ 270	\$ 258	\$ 258
Additions:			
Servicing obligations from sale of loan participations	--	118	203
Subtractions:			
Amortization	(19)	(20)	(191)
Balance, end of period	\$ 251	\$ 356	\$ 270

## Premises and Equipment

**3 Months Ended  
Mar. 31, 2018**

[Premises and Equipment](#)

[\[Abstract\]](#)

[Premises and Equipment](#)

### 8. Premises and Equipment

Premises and equipment consist of the following at March 31, 2018 and December 31, 2017 (dollars in thousands):

	As of March 31, 2018	As of December 31, 2017
Furniture and office equipment	\$ 486	\$ 486
Computer system	222	222
Leasehold improvements	25	25
Total premises and equipment	733	733
Less accumulated depreciation and amortization	(638)	(630)
Premises and equipment, net	\$ 95	\$ 103

Depreciation and amortization expense for the three months ended March 31, 2018 and 2017 amounted to \$8 thousand and \$7 thousand, respectively.

## NCUA Credit Facilities

**3 Months Ended  
Mar. 31, 2018**

[Notes Payable and NCUA  
Credit Facilities \[Abstract\]](#)

[NCUA Credit Facilities](#)

### 9. NCUA Credit Facilities

#### *Items Applicable to Each NCUA Credit Facility*

On November 4, 2011, the Company and the National Credit Union Administration Board As Liquidating Agent of Members United Corporate Federal Credit Union (“**Lender**”) entered into an \$87.3 million credit facility refinancing transaction (the “**MU Credit Facility**”).

Also on November 4, 2011, the Company and the National Credit Union Administration Board As Liquidating Agent of Western Corporate Federal Credit Union (previously herein defined as “**Lender**”) entered into a \$23.5 million credit facility refinancing transaction (the “**WesCorp Credit Facility Extension**”).

Accrued interest is due and payable monthly in arrears on both facilities on the first day of each month at the lesser of the maximum interest rate permitted by applicable law under the loan documents or 2.525%. The term loan may be repaid or retired without penalty, but any amounts repaid or prepaid under the facilities may not be re-borrowed. The facilities mature on November 1, 2026, at which point the final principal payment will be due.

Future principal contractual payments of the Company’s borrowings from financial institutions during the twelve month periods ending March 31 are as follows (dollars in thousands):

2019	\$	4,977
2020		5,105
2021		5,240
2022		5,374
2023		5,511
Thereafter		54,058
	\$	<u>80,265</u>

The NCUA credit facilities include a number of borrower covenants, including affirmative covenants to maintain the collateral free of liens, to timely pay the amounts due on the facility, to provide the Lender with interim or annual financial statements and annual and periodic reports filed with the U.S. Securities and Exchange Commission and maintain a minimum collateralization ratio of at least 110% (120% for the MU Credit Facility and Wescorp Facility combined). If at any time the Company fails to maintain its required minimum collateralization ratio, it will be required to deliver cash or qualifying mortgage loans in an amount sufficient to enable us to meet its obligation to maintain a minimum collateralization ratio. In total, the collateral securing both facilities at March 31, 2018 and December 31, 2017 satisfied the 120% minimum. In addition, the collateral securing both facilities at March 31, 2018 and December 31, 2017 separately satisfied the 110% minimum required collateralization ratio.

The NCUA credit facilities also include covenants which prevent the Company from renewing or extending a loan pledged as collateral under these facilities unless certain conditions have been met and requires the borrower to deliver current financial statements to the Company. Under the terms of the facilities, the Company has established two separate lockboxes for each facility maintained for the benefit of Lender that will receive all payments made by collateral obligors. The Company’s obligation to repay the outstanding balance on this facility may be accelerated upon the occurrence of an “Event of Default” as defined in the NCUA credit facilities. Such Events of Default include, among others, failure to make timely payments due under the NCUA credit

facilities and the Company's breach of any of its covenants. As of March 31, 2018 and December 31, 2017, respectively, the Company was in compliance with its covenants under each of the NCUA credit facilities.

#### ***Members United Facility***

The balance of the MU Credit Facility was \$62.4 million and \$63.4 million at March 31, 2018 and December 31, 2017, respectively. The required minimum monthly payment is \$450 thousand.

At March 31, 2018 and December 31, 2017, the collateral securing the MU Credit Facility had an aggregate principal balance of \$72.7 million and \$71.7 million, respectively. The collateral securing the MU Credit Facility at March 31, 2018 and December 31, 2017 satisfied the 110% minimum required collateralization ratio.

#### ***WesCorp Facility***

As of March 31, 2018 and December 31, 2017, \$17.9 million and \$18.1 million, respectively, was outstanding on the WesCorp Credit Facility Extension. The required minimum monthly payment is \$129 thousand.

As of March 31, 2018 and December 31, 2017, the collateral securing the WesCorp Credit Facility Extension had an aggregate principal balance of \$24.9 million and \$26.9 million, respectively. The collateral securing the WesCorp Credit Facility Extension at March 31, 2018 and December 31, 2017 satisfied the 110% minimum collateralization ratio required by the amended agreement.

## Notes Payable

**3 Months Ended  
Mar. 31, 2018**

[Notes Payable and NCUA  
Credit Facilities \[Abstract\]](#)

[Notes Payable](#)

### 10. Notes Payable

#### SEC Registered Public Offerings

Notes payable comprised unsecured and secured notes totaling \$59.2 million and \$9.1 million, respectively, at March 31, 2018. Notes payable comprised of unsecured and secured notes totaling \$59.3 million and \$9.8 million, respectively, at December 31, 2017. The notes are payable to investors who have purchased the securities, including individuals, churches, and Christian ministries, many of whom are members of ECCU or ACCU. Notes pay interest at stated spreads over an index rate that is adjusted every month. Interest can be reinvested or paid at the investor's option. The Company may repurchase all or a portion of notes at any time at its sole discretion, and may allow investors to redeem their notes prior to maturity at its sole discretion.

**Class A Offering.** In April 2008, the Company registered with the SEC its Class A Notes. The Class A Note Offering expired on December 31, 2015 and the Company discontinued the sale of its Class A Notes. The offering included three categories of notes, including a fixed interest note, a variable interest note, and a flex note, which allows borrowers to increase their interest rate once a year with certain limitations. The Class A Notes contained restrictive covenants pertaining to paying dividends, making redemptions, acquiring, purchasing or making certain payments, requiring the maintenance of minimum tangible net worth, limitations on the issuance of additional notes and incurring of indebtedness. The Company was in compliance with these covenants as of March 31, 2018 and December 31, 2017. The Class A Notes were issued under a Trust Indenture between the Company and U.S. Bank National Association (“**US Bank**”). At March 31, 2018 and December 31, 2017, \$11.7 million and \$12.3 million of these notes were outstanding, respectively.

**Class 1 Offering.** In January 2015, the Company registered with the SEC its Class 1 Notes. The Class 1 Note Offering expired on December 31, 2017 and the Company discontinued the sale of its Class 1 Notes at that time. The offering included two categories of notes, including a fixed interest note and a variable interest note. The Class 1 Notes contain restrictive covenants pertaining to paying dividends, making redemptions, acquiring, purchasing or making certain payments, requiring the maintenance of minimum tangible net worth, limitations on the issuance of additional notes and incurring of indebtedness. The Company was in compliance with these covenants as of March 31, 2018 and December 31, 2017. The Class 1 Notes were issued under a Trust Indenture between the Company and U.S. Bank. At March 31, 2018 and December 31, 2017, \$37.0 million and \$39.7 million of Class 1 Notes were outstanding, respectively.

**Class 1A Offering.** In February 2018, the Company launched its Class 1A Notes Offering. The Company registered \$90 million of its Class 1A Notes in two series – fixed and variable notes and the Company's Registration Statement was declared effective on February 27, 2018. The Class 1A Notes are unsecured. The interest rate paid on the Fixed Series Notes is determined in reference to a Constant Maturity Treasury Index published by the U.S. Department of Treasury (“**CMT Index**”) in effect on the date that the note is issued plus a rate spread as described in the Company's Class 1A Prospectus. The interest rate paid on a Variable Series Note is determined by reference to the variable index in effect on the date the interest rate is set. The CMT Index is determined by the Constant Maturity Treasury rates published by the U.S. Department of Treasury for actively traded Treasury securities. The variable index is equal to the 3-month LIBOR rate. The Class 1A Notes will be issued under a Trust Indenture entered into between the Company and U.S. Bank. At March 31, 2018, \$0.4 million of the Company's Class 1A Notes were outstanding.

#### Private Offerings



**Secured Investment Certificates (“Secured Notes”).** In January 2015, the Company began offering Secured Notes under a new private placement memorandum pursuant to the requirements of Rule 506 of Regulation D. Under this offering, the Company may sell up to \$80.0 million in Secured Notes to qualified investors. The Notes require as collateral either cash pledged in the amount of 100% of the outstanding balance of the Notes or loans receivable pledged in the amount of 105% of the outstanding balance of the Notes. At March 31, 2018 and December 31, 2017, a total of \$9.1 million and \$9.8 million in Secured Notes were outstanding. At March 31, 2018 and December 31, 2017, the collateral securing the Secured Notes had an outstanding balance of \$10.8 million and \$10.9 million, respectively. The March 31, 2018 and December 31, 2017 collateral balance was sufficient to satisfy the minimum collateral requirement of the Secured Notes offering. As of March 31, 2018 and December 31, 2017, no cash was pledged in regards to the Secured Notes. The Company’s 2015 Secured Note offering terminated on December 31, 2017. Effective as of April 30, 2018, the Company launched a new \$80 million secured note offering. The 2018 Secured Note offering will be issued pursuant to a Loan and Security Agreement and it will include the same terms and conditions previously set forth in its 2015 Secured Note offering.

**Series 1 Subordinated Capital Notes (“Subordinated Notes”).** In February 2013, the Company launched the sale of its Subordinated Notes pursuant to a limited private offering to qualified investors that meets the requirements of Rule 506 of Regulation D. The Subordinated Notes have been offered with maturity terms from 12 to 60 months at an interest rate fixed on the date of issuance, as determined by the then current seven-day average rate reported by the U.S. Federal Reserve Board for interest rate swaps. At March 31, 2018 and December 31, 2017, a total of \$9.9 million and \$6.8 million respectively in notes sold pursuant to this offering were outstanding.

Under the Subordinated Notes offering, the Company is subject to certain covenants, including limitations on restricted payments, limitations on the amount of notes that can be sold, restrictions on mergers and acquisitions, and proper maintenance of books and records. The Company was in compliance with these covenants at March 31, 2018 and December 31, 2017.

**Special Offering Notes.** Special Offering Notes are unsecured general obligation notes having various terms we have issued over the past several years to ministries, ministry-related organizations, and individuals. Except for a small number of investors (in total not exceeding 35 individuals), the holders of these Notes are accredited investors within the meaning of Regulation D under the 1933 Securities Act. We may continue to sell our debt securities to eligible investors on an individual, negotiated basis as we deem appropriate and in compliance with exemptions from registration or qualifications under federal and applicable state securities laws. At March 31, 2018 and December 31, 2017, a total of \$114 thousand and \$473 thousand respectively in notes sold pursuant to this offering were outstanding.

The Company has the following notes payable at March 31, 2018 (dollars in thousands):

SEC Registered Public Offerings	Amount	Weighted Average Interest Rate
Class A Offering	\$ 11,715	4.05 %
Class 1 Offering	37,014	3.77 %
Class 1A Offering	400	5.88
<b>Private Offerings</b>		
Special Offering	114	3.35 %
Special Subordinated Notes	9,933	4.63 %
Secured Notes	9,124	3.77 %
<b>Total</b>	<b>\$ 68,300</b>	<b>3.55 %</b>

Future maturities for the Company’s investor notes during the twelve month periods ending March 31 are as follows (dollars in thousands):

2019	\$	17,227
2020		15,120
2021		16,749
2022		14,343
2023		4,156
Thereafter		705
	\$	<u>68,300</u>

Debt issuance costs related to the Company's notes payable were \$72 thousand and \$85 thousand at March 31, 2018 and December 31, 2017, respectively.

## Commitments and Contingencies

3 Months Ended  
Mar. 31, 2018

### [Commitments and Contingencies \[Abstract\]](#)

#### [Commitments and Contingencies](#)

#### 11. Commitments and Contingencies

##### *Unfunded Commitments*

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include un-advanced lines of credit, and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. At March 31, 2018 and December 31, 2017, the following financial instruments were outstanding whose contract amounts represent credit risk (dollars in thousands):

	<b>Contract Amount at:</b>	
	March 31, 2018	December 31, 2017
Undisbursed loans	\$ 889	\$ 1,199
Standby letter of credit	\$ 384	\$ 384

Undisbursed loans are commitments for possible future extensions of credit to existing customers. These loans are sometimes unsecured and may not necessarily be drawn upon to the total extent to which the Company is committed. Commitments to extend credit are generally at variable rates.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

##### *Contingencies*

In the normal course of business, the Company may become involved in various legal proceedings. As of March 31, 2018, the Company is a defendant in a wrongful termination of employment lawsuit. The Company is contesting the claim and at March 31, 2018, the Company's liabilities include an accrual of \$30 thousand for litigation related expenses incurred in connection with this claim. Although the Company believes that it will prevail on the merits, the litigation could have a lengthy process, and the ultimate outcome cannot be predicted.

##### *Operating Lease Commitments*

The Company has lease commitments covering its offices in Brea and Fresno, California. At March 31, 2018, future minimum rental payments for the twelve months ending March 31 are as follows:

2019	\$	118
2020		27
Thereafter		--
Total	\$	<u>145</u>

Total rent expense, including common area costs, was \$36 thousand and \$35 thousand for the three months ended March 31, 2018 and 2017, respectively. The Brea office lease expires in 2018 and contains one additional option to renew for five years.

The Fresno office lease is scheduled to expire in 2020. There are no options to renew in the lease extension.

**Preferred and Common  
Units Under LLC Structure**

**3 Months Ended  
Mar. 31, 2018**

**Preferred and Common  
Units Under LLC Structure**

**[Abstract]**

**Preferred And Common Units  
Under LLC Structure**

**12. Preferred and Common Units Under LLC Structure**

The Series A Preferred Units are entitled to receive a quarterly cash dividend that is 25 basis points higher than the one-year LIBOR rate in effect on the last day of the calendar month for which the preferred return is approved. The Company has also agreed to set aside an annual amount equal to 10% of its net profits earned for any year, after subtracting from profits the quarterly Series A Preferred Unit dividends paid, for distribution to its Series A Preferred Unit holders.

The Series A Preferred Units have a liquidation preference of \$100 per unit; have no voting rights; and are subject to redemption in whole or in part at the Company's election on December 31 of any year, for an amount equal to the liquidation preference of each unit, plus any accrued and declared but unpaid quarterly dividends and preferred distributions on such units. The Series A Preferred Units have priority as to earnings and distributions over the Common Units. The resale of the Company's Series A Preferred Units and Common Units are subject to the Company's first right of refusal to purchase units proposed to be transferred. Upon the Company's failure to pay a quarterly dividends for four consecutive quarters, the holders of the Series A Preferred Units have the right to appoint two managers to its Board of Managers.

The Class A Common Units have voting rights, but have no liquidation preference or rights to dividends, unless declared.

## Retirement Plans

**3 Months Ended  
Mar. 31, 2018**

[Retirement Plans \[Abstract\]](#)  
[Retirement Plans](#)

### 13. Retirement Plans

#### *401(k)*

All of the Company's employees are eligible to participate in the Automated Data Processing, Inc. ("ADP") 401(k) plan effective as of the date their employment commences. No minimum service is required and the minimum age is 21. Each employee may elect voluntary contributions not to exceed 86% of salary, subject to certain limits based on U.S. tax law. The plan has a matching program, which qualifies as a Safe Harbor 401(k) plan. As a Safe Harbor Section 401(k) plan, the Company matches each eligible employee's contribution, dollar for dollar, up to 3% of the employee's compensation, and 50% of the employee's contribution that exceeds 3% of their compensation, up to a maximum contribution of 5% of the employee's compensation. Company matching contributions for the three months ended March 31, 2018 and 2017 were \$28 thousand and \$26 thousand, respectively.

#### *Profit Sharing*

The profit sharing plan is for all employees who, at the end of the calendar year, are at least 21 years old, still employed, and have at least 900 hours of service during the plan year. The amount annually contributed on behalf of each qualified employee is determined by the Company's Board of Managers and is calculated as a percentage of the eligible employee's annual earnings. Plan forfeitures are used to reduce the Company's annual contribution. The Company made no profit sharing contributions for the plan during the year ended December 31, 2017. No profit sharing contribution has been made or approved for the three months ended March 31, 2018.

Fair Value Measurements

[Fair Value Measurements](#)  
[\[Abstract\]](#)  
[Fair Value Measurements](#)

14. Fair Value Measurements

*Fair Value Measurements Using Fair Value Hierarchy*

Measurements of fair value are classified within a hierarchy based upon inputs that give the highest priority to quoted prices in active markets for and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, or inputs that are observable for the asset or liability (such as interest rates, prepayment speeds, credit risks, etc.), or inputs that are corroborated by observable market data by correlation or by other means.
- Level 3 inputs are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use to measure fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the fair value measurement in its entirety falls within the lowest level of the fair value hierarchy within which the fair value measurement in its entirety has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety is based on the facts and circumstances and considers factors specific to the asset or liability.

*Fair Value of Financial Instruments*

The carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2018 and December 31, 2017, are as follows:

Fair Value Measurements at March 31, 2018				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>FINANCIAL ASSETS:</b>				
Cash	\$ 11,879	\$ 11,879	\$ --	\$ --
Loans, net	144,492	--	--	144,492
Investments in joint venture	896	--	--	896
Accrued interest receivable	726	--	--	726
<b>FINANCIAL LIABILITIES:</b>				
NCUA borrowings	\$ 80,265	\$ --	\$ --	\$ 80,265
Notes payable	68,228	--	--	68,228
Other financial liabilities	290	--	--	290

Fair Value Measurements at December 31, 2017				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>FINANCIAL ASSETS:</b>				
Cash	\$ 9,907	\$ 9,907	\$ --	\$ --
Loans, net	148,835	--	--	148,835
Investments in joint venture	896	--	--	896
Accrued interest receivable	742	--	--	742
<b>FINANCIAL LIABILITIES:</b>				
NCUA borrowings	\$ 81,492	\$ --	\$ --	\$ 81,492
Notes payable	69,003	--	--	69,003
Other financial liabilities	346	--	--	346

Management uses judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in the measurement process. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company would receive in a sales transaction at March 31, 2018 and December 31, 2017.

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash – The carrying amounts reported in the balance sheets approximate fair value for cash.

Loans – Fair value is estimated by discounting the future cash flows using the current average rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Investments – Fair value is estimated by analyzing the operations and marketability of the underlying investment to determine if the investment is impaired.

Notes Payable – The fair value of fixed maturity notes is estimated by discounting the future cash flows using the rates currently offered for notes of similar maturities. The discount rate is estimated by Company management by using market rates which reflect the interest rate risk inherent in the notes.

NCUA Borrowings – The fair value of borrowings from financial institutions are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements. The discount rate is estimated by Company management using market rates which reflect the interest rate risk inherent in the notes.

Off-Balance Sheet Instruments – The fair value of loan commitments is based on fees currently charged to enter into similar agreements, taking into account the term of the agreements and the counterparties' credit standing. The fair value of loan commitments is insignificant at March 31, 2018 and December 31, 2017.

#### ***Fair Value Measured on a Nonrecurring Basis***

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to remeasurement in certain circumstances (for example, when there is evidence of impairment). The following table presents such assets carried on the balance sheet as of March 31, 2018 and December 31, 2017, within the valuation hierarchy (dollars in thousands):

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at March 31, 2018:			
Collateral dependent loans (net of allowance and discount)	\$	\$	\$ 5,992
Investments in joint venture			896
<b>Total</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 6,888</b>
Assets at December 31, 2017:			
Collateral dependent loans (net of allowance and discount)	\$ --	\$ --	\$ 6,135
Investments in joint venture			896
<b>Total</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 7,031</b>

Activity in Level 3 assets is as follows for the three months ended March 31, 2018 and for the year ended December 31, 2017 (dollars in thousands):

	Impaired loans (net of allowance and discount)
Balance, December 31, 2017	\$
Allowance and discount, net of discount amortization	
Loan payments and payoffs	
<b>Balance, March 31, 2018</b>	<b>\$</b>
	Investments in joint ventures (net of allowance and discount)
Balance, December 31, 2017	\$
Pro rata share of joint venture losses	
<b>Balance, March 31, 2018</b>	<b>\$</b>
	Impaired loans (net of allowance and discount)
Balance, December 31, 2016	\$
Re-classifications of assets from Level 3 into Level 2	
Allowance and discount, net of discount amortization	
Loans that became impaired	
Loan payments and payoffs	
<b>Balance, December 31, 2017</b>	<b>\$</b>
	Investments in joint ventures (net of allowance and discount)
Balance, December 31, 2016	\$
Pro rata share of joint venture income	
<b>Balance, December 31, 2017</b>	<b>\$</b>

#### ***Impaired Loans***

Collateral-dependent impaired loans are carried at the fair value of the collateral less estimated costs to sell, incorporating assumptions that expect to be realized in the sale of the collateral. The fair value of collateral is determined based on appraisals. In some cases, adjustments were made to the appraisals based on factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When the fair value of the collateral is less than the carrying amount of the loan, the difference is recorded as an allowance for credit losses.



were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement. Otherwise, collateral-de categorized under Level 2.

The valuation methodologies used to measure the fair value adjustments for Level 3 assets recorded at fair value on a nonrecurring basis at March 2017 are summarized below (dollars in thousands):

<b>March 31, 2018</b>				
<u>Assets</u>	<u>Fair Value (in thousands)</u>	<u>Valuation Techniques</u>	<u>Unobservable Input</u>	<u>Range</u>
Impaired Loans	\$ 5,992	Discounted appraised value	Selling cost / Estimated market decrease	25% -
Investments in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (

<b>December 31, 2017</b>				
<u>Assets</u>	<u>Fair Value (in thousands)</u>	<u>Valuation Techniques</u>	<u>Unobservable Input</u>	<u>Range</u>
Impaired Loans	\$ 6,135	Discounted appraised value	Selling cost / Estimated market decrease	25% -
Investment in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (

**Income Taxes and State LLC  
Fees**

**3 Months Ended  
Mar. 31, 2018**

**[Income Taxes and State LLC  
Fees \[Abstract\]](#)**

**[Income Taxes and State LLC  
Fees](#)**

**15. Income Taxes and State LLC Fees**

MPIC is subject to a California gross receipts LLC fee of approximately \$12,000 per year. MP Securities was subject to a California gross receipts LLC fee of approximately \$6,400 for the year ended December 31, 2017. MP Realty incurred a tax loss for the years ended December 31, 2017 and 2016, and recorded a provision of \$800 per year for the state minimum franchise tax.

For the years ended December 31, 2017 and 2016, MP Realty has federal and state net operating loss carryforwards of approximately \$407 thousand and \$402 thousand, respectively which begin to expire in 2030. Management assessed the realizability of the deferred tax asset and determined that a 100% valuation against the deferred tax asset was appropriate at December 31, 2017 and 2016.

Tax years ended December 31, 2014 through December 31, 2017 remain subject to examination by the Internal Revenue Service and the tax years ended December 31, 2013 through December 31, 2017 remain subject to examination by the California Franchise Tax Board.

## Segment Information

3 Months Ended  
Mar. 31, 2018

### [Segment Information](#)

#### [\[Abstract\]](#)

#### [Segment Information](#)

### 16. Segment Information

#### *Reportable Segments*

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different management, personnel proficiencies, and marketing strategies.

There are two reportable segments: finance company (the parent company) and broker-dealer (MP Securities). The finance company segment uses funds from the sale of debt securities, operations, and loan participations to originate or purchase mortgage loans. The broker-dealer segment sells debt securities and other investment products, as well as providing investment advisory services, to generate fee income.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. Intersegment revenues and expenses are accounted for at amounts that assume the transactions were made to unrelated third parties at the current market prices at the time of the transactions.

Management evaluates the performance of each segment based on net income or loss before provision for income taxes and LLC fees.

Financial information with respect to the reportable segments for the three months ended March 31, 2018 is as follows (dollars in thousands):

	<u>Finance Company</u>	<u>Broker Dealer</u>	<u>Total</u>
External income	\$ 2,409	\$ 157	\$ 2,566
Intersegment revenue	--	131	131
External non-interest expenses	975	283	1,258
Intersegment non-interest expenses	--	--	--
Segment net profit (loss)	(18)	5	(13)
Segment assets	157,641	1,121	158,762
<b>Revenue</b>			
Total revenue of reportable segments			\$ 2,697
Inter-segment revenue			(131)
Consolidated revenue			\$ 2,566
<b>Non-interest expenses</b>			
Total non-interest expenses of reportable segments			\$ 1,258
Inter-segment non-interest expenses			--
Consolidated non-interest expenses			\$ 1,258
<b>Profit</b>			
Total income of reportable segments			\$ (13)
Inter-segment profits			72
Consolidated net income			\$ 59

<b>Assets</b>		
Total assets of reportable segments	\$	158,762
Segment accounts receivable from corporate office		<u>(23)</u>
Consolidated assets	\$	158,739

Financial information with respect to the reportable segments for the three month period ended March 31, 2017 is as follows (dollars in thousands):

	<u>Finance Company</u>	<u>Broker Dealer</u>	<u>Total</u>
External income	\$ 2,488	\$ 146	\$ 2,634
Intersegment revenue	--	189	189
External non-interest expenses	1,011	275	1,286
Intersegment non-interest expenses	138	--	138
Segment net profit (loss)	238	59	297
Segment assets	160,357	511	160,868

<b>Revenue</b>		
Total revenue of reportable segments	\$	2,823
Inter-segment revenue		<u>(189)</u>
Consolidated revenue	\$	2,634

<b>Non-interest expenses</b>		
Total non-interest expenses of reportable segments	\$	1,424
Inter-segment non-interest expenses		<u>(138)</u>
Consolidated non-interest expenses	\$	1,286

<b>Profit</b>		
Total income of reportable segments	\$	297
Inter-segment profits		<u>(52)</u>
Consolidated net income	\$	245

<b>Assets</b>		
Total assets of reportable segments	\$	160,868
Segment accounts receivable from corporate office		<u>(6)</u>
Consolidated assets	\$	160,862

## Subsequent Events

**3 Months Ended  
Mar. 31, 2018**

[Subsequent Events](#)

[\[Abstract\]](#)

[Subsequent Events](#)

### 17. Subsequent Events

In connection with the Company's Secured Note offering, it has engaged MP Securities to act as its managing broker for the offering. Effective as of April 23, 2018, the Company has transitioned to an assets under management fee compensation model for all sales made by MP Securities of the Secured Notes. Under the assets under management fee compensation structure, MP Securities will be paid a fee equal to 1% per annum of the outstanding balances of our Secured Notes; provided, however, that the maximum amount of fees assessed will not exceed 5% over the life of the Secured Note investment. The Company will also pay MP Securities a .50% processing fee on the purchase of a Secured Note.

Regarding the legal proceeding contingencies detailed in Note 11. Loan Commitments, a trial date has been scheduled for March 4, 2019, with a mandatory settlement conference set for February 1, 2019.

## Summary of Significant Accounting Policies (Policies)

3 Months Ended  
Mar. 31, 2018

### [Summary of Significant Accounting Policies](#) [\[Abstract\]](#)

#### [Nature of Business](#)

#### *Nature of Business*

Ministry Partners Investment Company, LLC (the “**Company**”) was incorporated in California in 1991 as a C corporation and converted to a limited liability company on December 31, 2008. The Company is owned by a group of 11 federal and state chartered credit unions, as well as the Asset Management Association of the National Credit Union Administration (“**NCUA**”), none of which owns a majority of the voting equity units of the Company. AMAC owns 10 Units, while our credit union equity holders own both our Class A Common Units and Series A Preferred Units. Offices of the Company are located in California. The Company provides funds for real property secured loans as well as unsecured loans for the benefit of evangelical churches and church organizations. From time to time purchases these types of loans from other financial institutions. The Company funds its operations primarily through the sale of securities through other borrowings. Nearly all of the Company’s business and operations currently are conducted in California and its mortgage loan investments in 30 states, with the largest number of loans made to California borrowers.

The Company’s wholly owned subsidiaries are, Ministry Partners Funding, LLC (“**MPF**”), MP Realty Services, Inc., a California corporation (“**MP Realty**”), and Ministry Partners Securities, LLC, a Delaware limited liability company (“**MP Securities**”). MPF was formed 2007 and was inactive from November 2007 to 2014. In December 2014, the Company reactivated MPF to hold loans used as collateral for our new Secured Investment Certificates. MP Realty was formed in 2009, and obtained a license to operate as a corporate real estate broker through the California Department of Real Estate on February 23, 2010. MP Securities has had limited operations to date.

MP Securities was formed on April 26, 2010 to provide investment and financing solutions for churches, charitable institutions and faith-based organizations. It acts as the selling agent for the Company’s public and private placement notes. MP Securities offers a broad scope of investment services including advisory services and the ability to sell various investment products including mutual funds and insurance products. Due to its broad offering, MP Securities is directly regulated by the following federal and state entities: the Securities and Exchange Commission (**SEC**), the Financial Industry Regulatory Authority (**FINRA**), the California Department of Business Oversight, and the California Department of Insurance. In addition, MP Securities is licensed as a securities dealer in every state in which business is conducted. As of March 31, 2018, MP Securities was licensed to sell insurance products in 24 states.

#### [Principles of Consolidation](#)

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of Ministry Partners Investment Company, LLC and its wholly-owned subsidiaries and MP Securities. All significant inter-company balances and transactions have been eliminated in consolidation.

#### [Conversion to LLC](#)

#### *Conversion to LLC*

Effective as of December 31, 2008, the Company converted its form of organization from a corporation organized under California law to a limited liability company organized under the laws of the State of California. With the filing of Articles of Organization-Conversion with the California Secretary of State, the Ministry Partners Investment Corporation ceased and the entity continued by operation of law under the name Ministry Partners Investment Company, LLC.

Since the conversion became effective, the Company is managed by a group of managers that provides oversight of the affairs and carries out the functions and function that the Board of Directors performed under the previous bylaws. Operating like a Board of Directors, the managers have full, exclusive power and authority to oversee the management of Company affairs. Instead of Articles of Incorporation and Bylaws, management structure and operations are now governed by the provisions of an Operating Agreement that has been entered into by and between the Company’s managers and members.

#### [Cash and Cash Equivalents](#)

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with a maturity of three months or less. The Company had no cash positions other than demand deposits as of March 31, 2018 and December 31, 2017.

A portion of the Company’s cash held at credit unions is insured by the National Credit Union Insurance Fund, while a portion of cash held at other financial institutions is insured by the Federal Deposit Insurance Corporation (“**FDIC**”). The Company maintains cash that may exceed insured limits. The Company does not have cash in its cash accounts.

#### [Reclassifications](#)

#### *Reclassifications*

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. Neither member’s equity nor net income for the period ended March 31, 2017 were impacted by the reclassifications.

#### [Use of Estimates](#)

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are likely to result in a significant change in the near term relate to, but are not limited to, the determination of the allowance for loan losses and the valuation of foreclosed real property.

#### [Investments in Joint Venture](#)

#### *Investments in Joint Venture*

The Company’s investment in a joint venture is analyzed for impairment by management on a periodic basis by comparing the carrying value to the fair value of the underlying real property. Any impairment charges will be recorded as a valuation allowance against the value of the asset. The Company’s share of the net income of the joint venture will increase or decrease the Company’s investment and will be recorded on the income statement as realized gains or losses on investments.

#### [Loans Receivable](#)

#### *Loans Receivable*

Loans that management has the intent and ability to hold for the foreseeable future are reported at their outstanding unpaid principal balance adjusted for loan losses, deferred loan fees and costs, and loan discounts. Interest income on loans is accrued on a daily basis using the interest method. Loan losses are

are deferred and recognized as an adjustment to the related loan yield using the interest method. Loan discounts represent interest accrued and uncollected on loans that are restructured. Loan discounts are accreted to interest income over the term of the restructured loan until the loan is fully collectible and is no longer considered impaired. Loan discounts also represent the differences between the purchase price on loans we purchased and the recorded principal balance of the loan. These discounts are accreted to interest income over the term of the loan using the interest method. Discounts are not recognized as income on impaired loans.

The accrual of interest is discontinued at the time a loan is 90 days past due. Accrual of interest can be discontinued prior to the loan becoming 90 days past due if management determines the loan is impaired. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on loans is accrued on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest due are brought current and future payments are reasonably assured.

## Allowance for Loan Losses

### *Allowance for Loan Losses*

The Company sets aside an allowance or reserve for loan losses through charges to earnings, which are shown in the Company's Consolidated Statement of Earnings as a provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is probable. Recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of loans based on historical experience of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant change as more information becomes available.

The allowance consists of general and specific components. The general component covers non-classified loans and is based on historical loss experience and qualitative factors. In establishing the allowance for loan losses, management considers significant factors that affect the collectability of the Company's loans. Historical loss experience provides a reasonable starting point for the analysis, such experience by itself does not form a sufficient basis to determine the allowance for loan losses. Management also considers qualitative (or environmental) factors that are likely to cause estimated credit losses on the current loan portfolio to differ from historical loss experience, including:

- Changes in lending policies and procedures, including changes in underwriting standards and collection;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans; and
- The effect of credit concentrations.

These factors are adjusted on an on-going basis. The specific component of the Company's allowance for loan losses relates to loans that are classified as impaired. For impaired loans, an allowance is established when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying amount of the loan.

All loans in the loan portfolio are subject to impairment analysis. The Company reviews its loan portfolio monthly by examining delinquency reports and the financial condition of its borrowers and collateral value of its loans. Through this process, the Company identifies potential impaired loans. When a loan is impaired, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and interest according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, aging of the loan, probability of collecting future scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the shortfalls in relation to the principal and interest owed. A loan is generally deemed to be impaired when it is 90 days or more past due, or earlier when events indicate that it is probable that a borrower will be unable to make payments in accordance with the loan contract.

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral-dependent. When the Company modifies the terms of a loan for a borrower due to financial difficulties, a troubled debt restructuring is deemed to have occurred and the loan is classified as impaired. Loans or portions thereof are charged off when management believes them to be uncollectible. Uncollectibility is evaluated periodically on all loans classified as "Loans of Lesser Quality." As the Company's practice of working to explore every possible means of repayment with its borrowers, it has historically not charged off a loan until the borrower has exhausted all means of making loan payments from cash flows, at which point the underlying collateral becomes subject to foreclosure. Among other variables considered in assessing uncollectibility are factors such as the financial condition of the borrower, and the value of the underlying collateral in assessing uncollectibility.

## Troubled Debt Restructurings

### *Troubled Debt Restructurings*

A troubled debt restructuring is a loan for which the Company, for reasons related to a borrower's financial difficulties, grants a concession to a borrower that it would not otherwise consider. A restructuring of a loan usually involves an interest rate modification, extension of the maturity date, or reduction of the principal on the loan on a contingent or absolute basis.

Loans that are renewed at below-market terms are considered to be troubled debt restructurings if the below-market terms represent a concession to a borrower in its troubled financial condition. Troubled debt restructurings are classified as impaired loans and are measured at the present value of estimated future cash flows discounted at the effective rate at inception of the loan. The change in the present value of cash flows attributable to the passage of time is reported as interest income. For loans that are collateral-dependent, impairment is measured based on the fair value of the collateral.

## Loan Portfolio Segments and Classes

### *Loan Portfolio Segments and Classes*

Management segregates the loan portfolio into portfolio segments for purposes of evaluating the allowance for loan losses. A portfolio segment is a group of loans for which the Company develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

The Company's loan portfolio consists of one segment – church loans. The loan portfolio is segregated into the following portfolio classes:

**Wholly-Owned First Collateral Position.** This portfolio class consists of wholly-owned loans and the retained portion of loans originated by the Company for which the Company possesses a senior lien on the collateral underlying the loan.

**Wholly-Owned Junior Collateral Position.** This portfolio class consists of the wholly-owned loans and the retained portion of loans originated by the Company for which the Company possesses a lien on the underlying collateral that is superseded by another lien on the same collateral. This class also consists of loans that are not secured. These loans present higher credit risk than loans for which the Company possesses a senior lien due to the increased risk of loss should the collateral value decline.

**Participations First Collateral Position.** This portfolio class consists of the participated loans purchased from another financial entity for which the Company does not have a senior lien on the collateral underlying the loan. Loan participations purchased present higher credit risk than wholly owned loans because the Company does not have control over the disposition and direction of actions regarding the management and collection of the loans. The lead lender directs most servicing and major actions must be coordinated and negotiated with the other participants, whose best interests regarding the loan may not align with those of the Company.

**Participations Junior Collateral Position.** This portfolio class consists of the participated loans purchased from another financial entity for which the Company does not have a lien on the underlying collateral that is superseded by another lien on the same collateral. Loan participations in the junior collateral position consist of wholly owned loans and participated loans purchased where the Company possesses a senior lien on the collateral. The increased risk is the result of the factors above relating to both junior lien positions and participations.

## [Credit Quality Indicators](#)

### **Credit Quality Indicators**

The Company's policies provide for the classification of loans that are considered to be of lesser quality as watch, special mention, substandard, or loss. Special mention assets exhibit potential or actual weaknesses that present a higher potential for loss under certain conditions. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those with the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on current facts, conditions and values. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their liquidation is not warranted. Assets that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which require close attention, are designated as watch. Loans designated as watch are considered pass loans.

The Company has established a standard loan grading system to assist management and review personnel in their analysis and supervision of the loan grading system is as follows:

**Pass:** The borrower has sufficient cash to fund debt services. The borrower may be able to obtain similar financing from other lenders with comparable terms. Default is considered low.

**Watch:** These loans exhibit potential or developing weaknesses that deserve extra attention from credit management personnel. If the developing weaknesses are not corrected or mitigated, there may be deterioration in the ability of the borrower to repay the debt in the future. Loans graded Watch must be reported to the Board of Managers. Potential for loss under adverse circumstances is elevated, but not foreseeable. Watch loans are considered pass loans.

**Special mention:** These credit facilities exhibit potential or actual weaknesses that present a higher potential for loss under adverse circumstances, but do not require close attention. If uncorrected, these weaknesses may result in deterioration of the repayment prospects for the loan at some future date.

**Substandard:** Loans and other credit extensions bearing this grade are considered to be inadequately protected by the current sound worth and paying capacity of the borrower or of any pledged collateral. These obligations, even if apparently protected by collateral value, have well-defined weaknesses that present a high degree of managerial, economic, industry, or environmental conditions which have clearly jeopardized repayment of principal and interest as originally intended. There is the possibility that some future loss will be sustained if such weaknesses are not corrected.

**Doubtful:** This classification consists of loans that display the properties of substandard loans with the added characteristic that the severity of the loss in collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values. The probability of loss is high because of certain important and reasonably specific factors, the amount of loss cannot be exactly determined. Such pending factors could include changes in collateral, additional capital injection, refinancing plans, or perfection of liens on additional collateral.

**Loss:** Loans in this classification are considered uncollectible and cannot be justified as a viable asset. This classification does not mean the loan has no value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

## [Foreclosed Assets](#)

### **Foreclosed Assets**

Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal and new cost. After foreclosure, valuations are periodically performed by management, and foreclosed assets held for sale are carried at the lower of cost or estimated costs of disposal. Any write-down to fair value just prior to the transfer to foreclosed assets is charged to the allowance for loan losses. Real estate assets acquired through foreclosure or other proceedings are evaluated regularly to ensure that the recorded amount is supported by its fair value. Valuation allowances to reduce the carrying amount to fair value less estimated costs of disposal are recorded as necessary. Revenue and expenses from the Company's foreclosed assets and changes in the valuation allowance are included in net expenses from foreclosed assets. When the foreclosed property is sold, the gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

## [Transfers of Financial Assets](#)

### **Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to have been surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of) to exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

The Company, from time to time, sells participation interests in mortgage loans it has originated or acquired. In order to recognize the transfer of a financial asset as a sale, the transferred portion and any portion that continues to be held by the transferor must represent a participating interest, and the transferor must meet the conditions for surrender of control. To qualify as a participating interest (i) each portion of a financial asset must represent a proportionate share of an entire financial asset, (ii) from the date of transfer, all cash flows received from the entire financial asset must be divided proportionately among the holders in an amount equal to their share of ownership, (iii) the transfer must be made on a non-recourse basis (other than standard representations and warranties).



the loan participation sale agreement) to, or subordination by, any participating interest holder, and (iv) no party has the right to pledge or exchange. If the participating interest or surrender of control criteria is not met, the transaction is accounted for as a secured borrowing arrangement.

Under some circumstances, when the Company sells participations in wholly owned loans receivable that it services, it retains a servicing asset at fair value. As quoted market prices are generally not available for these assets, the Company estimates fair value based on the present value of cash flows associated with the loan receivable. The Company amortizes servicing assets over the life of the associated receivable using the interest method. The gain on the sale of loans receivable depends in part on both the previous carrying amount of the financial assets involved in the sale, allocated between the interests that continue to be held by the Company based on their relative fair value at the date of transfer, and the proceeds received.

## [Property and Equipment](#)

### ***Property and Equipment***

Furniture, fixtures, and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

## [Debt Issuance Costs](#)

### ***Debt Issuance Costs***

Debt issuance costs are related to borrowings from financial institutions as well as public offerings of unsecured notes, and are amortized into expense over the contractual terms of the debt using the straight-line method.

## [Employee Benefit Plan](#)

### ***Employee Benefit Plan***

Contributions to the qualified employee retirement plan are recorded as compensation cost in the period incurred.

## [Income Taxes](#)

### ***Income Taxes***

The Company has elected to be treated as a partnership for income tax purposes. Therefore, income and expenses of the Company are passed through to the partners for reporting purposes. According to its operating agreement, Tesoro Hills, LLC, a joint venture in which the Company has an investment, has also elected to be treated as a partnership for income tax purposes. The Company and MP Securities are subject to a California LLC fee.

The Company uses a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax benefits. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that do not meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

## [New Accounting Guidance](#)

### ***New accounting guidance***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes existing accounting standards for revenue recognition and creates a single framework. ASU 2014-09 and all subsequent amendments to it ("ASC 606") requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets such as other real estate owned. This standard also requires an entity to recognize certain costs to obtain or fulfill a contract with a customer. The Company's implementation efforts included a detailed review of revenue contracts, the adoption of new accounting guidance and an evaluation of the impact on the Company's revenue recognition policies. No transition-related practical expedients were applied. The Company adopted this ASU on its effective date, January 1, 2018, and it had no impact on the timing of the Company's revenue recognition.

The majority of Company's revenues come from interest income, which is outside the scope of ASC 606. Company's revenues that are within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Revenues within the scope of ASC 606 include wealth advisory fees, investment brokerage fees, and other service and miscellaneous income.

The Company adopted ASC 606 using the modified retrospective method applied on all contracts not completed as of January 1, 2018. Results for periods after January 1, 2018 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles ("GAAP"). The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, no adjustments were recorded.

## [Recent Accounting Pronouncements](#)

### ***Recent Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)." ASU 2016-02 establishes a right of use model that requires a lessee to recognize a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are not transferred and the lessor maintains control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use the modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients. Early adoption is permitted. Management is assessing the impact of ASU 2016-02 on its accounting and disclosures and expects this pronouncement to have a positive impact on the Company's consolidated financial position or results of operation.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. ASU 2016-13 also modifies the accounting for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for periods within those fiscal years, beginning after December 15, 2018. The guidance requires companies to apply the requirements in the year of adoption with some aspects of the update requiring a prospective transition approach. Management is currently evaluating the potential impact of ASU 2016-13 on the consolidated financial statements.

**Pledge of Cash and  
Restricted Cash (Tables)**

**3 Months Ended  
Mar. 31, 2018**

**Pledge of Cash and Restricted Cash**

**[Abstract]**

**Reconciliation of Cash, Cash Equivalents, and  
Restricted Cash**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 11,879	\$ 9,907
Restricted cash	56	58
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>11,935</u>	<u>9,965</u>

**Loans Receivable and  
Allowance for Loan Losses  
(Tables)**

**3 Months Ended  
Mar. 31, 2018**

[Loans Receivable and Allowance  
for Loan Losses \[Abstract\]  
Summary of Loans](#)

	March 31, 2018	December 31 2017
<b>Loans to evangelical churches and related organizations:</b>		
Real estate secured	\$ 148,110	\$ 151,214
Unsecured	269	1,500
Total loans	148,379	152,714
Deferred loan fees, net	(862)	(911)
Loan discount	(865)	(871)
Allowance for loan losses	(2,160)	(2,097)
Loans, net	<u>\$ 144,492</u>	<u>\$ 148,835</u>

[Schedule of Changes in Allowance  
for Loan Losses](#)

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 2,097	\$ 1,875
Provision for loan loss	63	262
Chargeoffs	--	(40)
Balance, end of period	<u>\$ 2,160</u>	<u>\$ 2,097</u>

[Schedule of Loans and Allowance  
for Loan Losses by Impairment  
Methodology](#)

	<i>Loans and Allowance for Loan Losses (by segment) As of</i>	
	March 31, 2018	December 31, 2017
<b>Loans:</b>		
Individually evaluated for impairment	\$ 9,102	\$ 9,255
Collectively evaluated for impairment	139,277	143,459
Balance	<u>\$ 148,379</u>	<u>\$ 152,714</u>
<b>Allowance for loan losses:</b>		
Individually evaluated for impairment	\$ 1,293	\$ 1,260
Collectively evaluated for impairment	867	837
Balance	<u>\$ 2,160</u>	<u>\$ 2,097</u>

[Schedule of Loan Portfolio Credit  
Quality Indicators by Class](#)

*Credit Quality Indicators (by class)  
As of March 31, 2018*

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
<b>Grade:</b>					
Pass	\$ 111,067	\$ 3,987	\$ 7,891	\$ --	\$ 122,945
Watch	16,123	--	209	--	16,332
Special mention	3,100	--	--	--	3,100
Substandard	5,808	194	--	--	6,002
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
<b>Total</b>	<b>\$ 136,098</b>	<b>\$ 4,181</b>	<b>\$ 8,100</b>	<b>\$ --</b>	<b>\$ 148,379</b>

***Credit Quality Indicators (by class)***

***As of December 31, 2017***

	Wholly- Owned First	Wholly- Owned Junior	Participation First	Participation Junior	Total
<b>Grade:</b>					
Pass	\$ 115,422	5,269	9,474	--	\$ 130,165
Watch	13,082	--	212	--	13,294
Special mention	3,152	--	--	--	3,152
Substandard	5,907	196	--	--	6,103
Doubtful	--	--	--	--	--
Loss	--	--	--	--	--
<b>Total</b>	<b>\$ 137,563</b>	<b>\$ 5,465</b>	<b>\$ 9,686</b>	<b>\$ --</b>	<b>\$ 152,714</b>

[Schedule of Age Analysis of Past Due Loans by Class](#)

***Age Analysis of Past Due Loans (by class)***

***As of March 31, 2018***

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ 6,279	\$ --	\$ 2,810	\$ 9,089	\$ 127,009	\$ 136,098	\$ --
Wholly- Owned Junior	194	--	--	194	3,987	4,181	--
Participation First	--	--	--	--	8,100	8,100	--
Participation Junior	--	--	--	--	--	--	--
<b>Total</b>	<b>\$ 6,473</b>	<b>\$ --</b>	<b>\$ 2,810</b>	<b>\$ 9,283</b>	<b>\$ 139,096</b>	<b>\$ 148,379</b>	<b>\$ --</b>

***Age Analysis of Past Due Loans (by class)***

***As of December 31, 2017***

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or more and Accruing
<b>Church loans:</b>							
Wholly- Owned First	\$ --	3,521	1,587	\$5,108	\$132,455	\$137,563	\$ --
Wholly- Owned Junior	--	196	--	196	5,269	5,465	--
Participation First	--	--	--	--	9,686	9,686	--
Participation Junior	--	--	--	--	--	--	--
<b>Total</b>	<b>\$ --</b>	<b>\$3,717</b>	<b>\$1,587</b>	<b>\$5,304</b>	<b>\$147,410</b>	<b>\$152,714</b>	<b>\$ --</b>

Schedule of Impaired Loans by Class

**Impaired Loans (by class)  
As of March 31, 2018**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
<b>With no allowance recorded:</b>					
<b>Church loans:</b>					
Wholly-Owned First	\$ 4,876	\$ --	\$ 4,876	\$ 443	\$ 4,433
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>With an allowance recorded:</b>					
<b>Church loans:</b>					
Wholly-Owned First	6,758	1,293	5,465	294	5,171
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,850</u>	<u>\$ 1,293</u>	<u>\$ 10,557</u>	<u>\$ 748</u>	<u>\$ 9,809</u>

**For the three months ended March 31,  
2018**

	Average Recorded Investment	Interest Income Recognized
With no allowance recorded: Church loans:		

Wholly-Owned First	\$	4,885	\$	24
Wholly-Owned Junior		216		--
Participation First		--		--
Participation Junior		--		--
<b>With an allowance recorded:</b>				
Church loans:				
Wholly-Owned First		6,763		--
Wholly-Owned Junior		--		--
Participation First		--		--
Participation Junior		--		--
<b>Total:</b>				
Church loans	\$	<u>11,864</u>	\$	<u>24</u>

**Impaired Loans (by class)**

**As of December 31, 2017**

	Unpaid Principal Balance	Related Allowance	Net Loan Principal Balance	Discount	Net Recorded Investment
<b>With no allowance recorded:</b>					
Church loans:					
Wholly-Owned First	\$ 6,395	\$ --	\$ 6,395	\$ 443	\$ 5,952
Wholly-Owned Junior	216	--	216	11	205
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>With an allowance recorded:</b>					
Church loans:					
Wholly-Owned First	5,271	1,260	4,011	319	3,692
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	<u>\$ 11,882</u>	<u>\$ 1,260</u>	<u>\$ 10,622</u>	<u>\$ 773</u>	<u>\$ 9,849</u>

**For the year ended December 31, 2017**

	Average Recorded Investment	Interest Income Recognized
<b>With no allowance recorded:</b>		
Church loans:		
Wholly-Owned First	\$ 4,703	\$ --
Wholly-Owned Junior	200	--
Participation First	--	--
Participation Junior	--	--
<b>With an allowance recorded:</b>		
Church loans:		
Wholly-Owned First	4,163	--
Wholly-Owned Junior	--	--
Participation First	--	--

Participation Junior		--	--
<b>Total:</b>			
Church loans	\$	9,067	\$ --

***Impaired Loans (by class)***

***As of March 31, 2017***

	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Net Loan Principal Balance</u>	<u>Discount</u>	<u>Net Recorded Investment</u>
With no allowance recorded:					
Church loans:					
Wholly-Owned First	\$ 4,267	\$ --	\$ 4,267	\$ 425	\$ 3,842
Wholly-Owned Junior	202	--	202	11	191
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
With an allowance recorded:					
Church loans:					
Wholly-Owned First	4,256	1,072	3,184	319	2,865
Wholly-Owned Junior	--	--	--	--	--
Participation First	--	--	--	--	--
Participation Junior	--	--	--	--	--
<b>Total:</b>					
Church loans	\$ 8,725	\$ 1,072	\$ 7,653	\$ 756	\$ 6,898

***For the three months ended March 31, 2017***

	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no allowance recorded:		
Church loans:		
Wholly-Owned First	\$ 3,880	\$ --
Wholly-Owned Junior	192	--
Participation First	--	--
Participation Junior	--	--
With an allowance recorded:		
Church loans:		
Wholly-Owned First	3,972	--
Wholly-Owned Junior	--	--
Participation First	--	--
Participation Junior	--	--
<b>Total:</b>		
Church loans	\$ 8,045	\$ --

[Schedule of Loans on Nonaccrual Status by Class](#)

*Loans on Nonaccrual Status (by class)  
As of March 31, 2018*

Church loans:		
Wholly-Owned First	\$	8,013
Wholly-Owned Junior		194
Participation First		--
Participation Junior		--
Total	\$	<u>8,207</u>

*Loans on Nonaccrual Status (by class)  
As of December 31, 2017*

Church loans:		
Wholly-Owned First	\$	8,167
Wholly-Owned Junior		196
Participation First		--
Participation Junior		--
Total	\$	<u>8,363</u>



Revenue Recognition  
(Tables)

3 Months Ended  
Mar. 31, 2018

[Revenue Recognition \[Abstract\]](#)  
[Schedule of Disaggregated Revenue](#)

	Three months ended March 31,	
	<u>2018</u>	<u>2017</u>
Non-interest income		
Wealth advisory fees	\$ 49	\$ 37
Investment brokerage fees	106	109
Lending fees (1)	41	130
Other non-interest income	29	18
Total non-interest income	<u>\$ 225</u>	<u>\$ 294</u>

(1) Not within scope of ASC

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**Loan Participation Sales  
(Tables)**

**3 Months Ended  
Mar. 31, 2018**

[Loan Participation Sales](#)

[\[Abstract\]](#)

[Schedule of Servicing Assets](#)

	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
Balance, beginning of period	\$ 270	\$ 258	\$ 258
Additions:			
Servicing obligations from sale of loan participations	--	118	203
Subtractions:			
Amortization	(19)	(20)	(191)
Balance, end of period	\$ 251	\$ 356	\$ 270

**Premises and Equipment  
(Tables)**

**3 Months Ended  
Mar. 31, 2018**

[Premises and Equipment \[Abstract\]](#)  
[Summary of Premises and Equipment](#)

	As of March 31, 2018	As of December 31, 2017
	<u>                    </u>	<u>                    </u>
Furniture and office equipment	\$ 486	\$ 486
Computer system	222	222
Leasehold improvements	<u>25</u>	<u>25</u>
Total premises and equipment	733	733
Less accumulated depreciation and amortization	(638)	(630)
Premises and equipment, net	<u>\$ 95</u>	<u>\$ 103</u>

**NCUA Credit Facilities  
(Tables)**

**3 Months Ended  
Mar. 31, 2018**

[Credit Facilities \[Member\]](#)

[Line of Credit Facility \[Line Items\]](#)

[Schedule of Maturities of Notes Payable](#)

2019	\$ 4,977
2020	5,105
2021	5,240
2022	5,374
2023	5,511
Thereafter	54,058
	<u>\$80,265</u>

**Notes Payable (Tables)****3 Months Ended  
Mar. 31, 2018**[Debt Instrument \[Line Items\]](#)[Schedule of Notes Payable](#)

SEC Registered Public Offerings	Amount	Weighted Average Interest Rate
Class A Offering	\$ 11,715	4.05 %
Class 1 Offering	37,014	3.77 %
Class 1A Offering	400	5.88
Private Offerings		
Special Offering	114	3.35 %
Special Subordinated Notes	9,933	4.63 %
Secured Notes	9,124	3.77 %
Total	<u>\$ 68,300</u>	<u>3.55 %</u>

[Notes Payable \[Member\]](#)[Debt Instrument \[Line Items\]](#)[Schedule of Maturities of Notes Payable](#)

2019	\$ 17,227
2020	15,120
2021	16,749
2022	14,343
2023	4,156
Thereafter	705
	<u>\$ 68,300</u>

**Commitments and  
Contingencies (Tables)**

**3 Months Ended  
Mar. 31, 2018**

**Commitments and Contingencies [Abstract]**  
**Unfunded Commitments**

**Contract Amount at:**

	March 31, 2018	December 31, 2017
Undisbursed loans	\$ 889	\$ 1,199
Standby letter of credit	\$ 384	\$ 384

**Operating Lease Commitments**

2019	\$ 118
2020	27
Thereafter	--
Total	<u>\$ 145</u>

**Fair Value Measurements  
(Tables)**

**Fair Value Measurements [Abstract]  
Schedule of Carrying Amounts and  
Estimated Fair Values of Financial  
Instruments**

**3 Months Ended  
Mar. 31, 2018**

Fair Value Measurements at March 31,  
2018 using

	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
<b>FINANCIAL ASSETS:</b>					
Cash	\$ 11,879	\$ 11,879	\$	\$ --	\$ 11,879
Loans, net	144,492			142,398	142,398
Investments in joint venture	896			896	896
Accrued interest receivable	726			725	725
<b>FINANCIAL LIABILITIES:</b>					
NCUA borrowings	\$ 80,265	\$	\$	\$ 74,628	\$ 74,628
Notes payable	68,228			68,246	68,246
Other financial liabilities	290			290	290

Fair Value Measurements at December 31,  
2017 using

	Carrying Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
<b>FINANCIAL ASSETS:</b>					
Cash	\$ 9,907	\$ 9,907	\$ --	\$ --	\$ 9,907
Loans, net	148,835	--	--	146,732	146,732
Investments in joint venture	896	--	--	896	896
Accrued interest receivable	742	--	--	742	742
<b>FINANCIAL LIABILITIES:</b>					

NCUA borrowings	\$ 81,492	\$ --	\$ --	\$ 76,945	\$ 76,945
Notes payable	69,003	--	--	69,264	69,264
Other financial liabilities	346	--	--	346	346

Schedule of Fair Value Measured on a Nonrecurring Basis

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets at March 31, 2018:				
Collateral dependent loans (net of allowance and discount)	\$ --	\$ --	\$ 5,992	\$ 5,992
Investments in joint venture	--	--	896	896
<b>Total</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 6,888</b>	<b>\$ 6,888</b>

Assets at December 31, 2017:				
Collateral dependent loans (net of allowance and discount)	\$ --	\$ --	\$ 6,135	\$ 6,135
Investments in joint venture	--	--	896	896
<b>Total</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 7,031</b>	<b>\$ 7,031</b>

Schedule of Fair Value of Assets Measured on Recurring Basis, Unobservable Input Reconciliation

	Impaired loans (net of allowance and discount)
Balance, December 31, 2017	\$ 6,135
Allowance and discount, net of discount amortization	(37)
Loan payments and payoffs	(106)
Balance, March 31, 2018	\$ 5,992
	Investments in joint venture (net of allowance and discount)
Balance, December 31, 2017	\$ 896
Pro rata share of joint venture losses	--
Balance, March 31, 2018	\$ 896

Impaired loans



		(net of allowance and discount)
Balance, December 31, 2016	\$	4,736
Re-classifications of assets from Level 3 into Level 2		1,253
Allowance and discount, net of discount amortization		(500)
Loans that became impaired		1,495
Loan payments and payoffs		(849)
Balance, December 31, 2017	\$	<u>6,135</u>

		Investments in joint venture (net of allowance and discount)
Balance, December 31, 2016	\$	892
Pro rata share of joint venture income		4
Balance, December 31, 2017	\$	<u>896</u>

[Schedule of Valuation Methodologies Used to Measure the Fair Value Adjustments for Level 3 Assets Recorded at Fair Value on a Nonrecurring Basis](#)

<b>March 31, 2018</b>				
Assets	Fair Value (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired Loans	\$ 5,992	Discounted appraised value	Selling cost / Estimated market decrease	25% - 58% (35%)
Investments in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (0%)

<b>December 31, 2017</b>				
Assets	Fair Value (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired Loans	\$ 6,135	Discounted appraised value	Selling cost / Estimated market decrease	25% -58% (38%)
Investment in joint venture	\$ 896	Internal evaluations	Estimated future market value	0% (0%)

**Segment Information  
(Tables)**

**3 Months Ended  
Mar. 31, 2018**

[Segment Information \[Abstract\]](#)  
[Schedule of Financial Information](#)  
[by Reportable Segments](#)

Financial information with respect to the reportable segments for the three months ended March 31, 2018 is as follows (dollars in thousands):

	Finance Company	Broker Dealer	Total
External income	\$ 2,409	\$ 157	\$ 2,566
Intersegment revenue	--	131	131
External non-interest expenses	975	283	1,258
Intersegment non-interest expenses	--	--	--
Segment net profit (loss)	(18)	5	(13)
Segment assets	157,641	1,121	158,762

Revenue			
Total revenue of reportable segments			\$ 2,697
Inter-segment revenue			(131)
Consolidated revenue			\$ 2,566

Non-interest expenses			
Total non-interest expenses of reportable segments			\$ 1,258
Inter-segment non-interest expenses			--
Consolidated non-interest expenses			\$ 1,258

Profit			
Total income of reportable segments			\$ (13)
Inter-segment profits			72
Consolidated net income			\$ 59

Assets			
Total assets of reportable segments			\$ 158,762
Segment accounts receivable from corporate office			(23)
Consolidated assets			\$ 158,739

Financial information with respect to the reportable segments for the three month period ended March 31, 2017 is as follows (dollars in thousands):

	Finance Company	Broker Dealer	Total
External income	\$ 2,488	\$ 146	\$ 2,634
Intersegment revenue	--	189	189
External non-interest expenses	1,011	275	1,286
Intersegment non-interest expenses	138	--	138
Segment net profit (loss)	238	59	297
Segment assets	160,357	511	160,868

Revenue

Total revenue of reportable segments	\$	2,823
Inter-segment revenue		<u>(189)</u>
Consolidated revenue	\$	2,634
<b>Non-interest expenses</b>		
Total non-interest expenses of reportable segments	\$	1,424
Inter-segment non-interest expenses		<u>(138)</u>
Consolidated non-interest expenses	\$	1,286
<b>Profit</b>		
Total income of reportable segments	\$	297
Inter-segment profits		<u>(52)</u>
Consolidated net income	\$	245
<b>Assets</b>		
Total assets of reportable segments	\$	160,868
Segment accounts receivable from corporate office		<u>(6)</u>
Consolidated assets	\$	160,862

**Summary of Significant  
Accounting Policies  
(Narrative) (Details)**

**3 Months  
Ended  
Mar. 31, 2018  
USD (\$)      Dec. 31,  
state      2017  
segment      USD (\$)  
entity**

**Significant Accounting Policies [Line Items]**

<u>Number of Federal &amp; state chartered credit unions owning the Company   entity</u>	11	
<u>Number of Federal &amp; state chartered credit unions owning a majority of voting equity units   entity</u>	0	
<u>States covered by mortgage loan investments</u>	30	
<u>Number of states in which the company is licensed for insurance</u>	14	
<u>Number of states in which company is licensed for investments</u>	24	
<u>Cash, net of demand deposits   \$</u>	\$ 0	\$ 0
<u>Number of loan portfolio segments   segment</u>	1	
<u>Minimum [Member]</u>		

**Significant Accounting Policies [Line Items]**

<u>Estimated useful lives of property and equipment</u>	3 years	
---	---------	--

Maximum [Member]

**Significant Accounting Policies [Line Items]**

<u>Estimated useful lives of property and equipment</u>	7 years	
---	---------	--

**Pledge of Cash and  
Restricted Cash (Narrative)  
(Details) - USD (\$)**

**Mar. 31, 2018 Dec. 31, 2017**

**Debt Instrument [Line Items]**

<u>Pledged cash</u>	\$ 0	\$ 0
<u>Restricted cash</u>	56,000	58,000
<u>Central Registration Depository Account With FINRA [Member]</u>		
<b><u>Debt Instrument [Line Items]</u></b>		
<u>Restricted cash</u>	876	236
<u>Clearing Deposits [Member]</u>		
<b><u>Debt Instrument [Line Items]</u></b>		
<u>Restricted cash</u>	\$ 55,003	\$ 57,743

**Pledge of Cash and  
Restricted Cash  
(Reconciliation of Cash,  
Cash Equivalents, and  
Restricted Cash) (Details) -  
USD (\$)  
\$ in Thousands**

**Pledge of Cash and Restricted Cash [Abstract]**

Cash and cash equivalents

\$ 11,879    \$ 9,907

Restricted Cash

56            58

Total cash, cash equivalents, and restricted cash shown in the  
statement of cash flows

\$ 11,935    \$ 9,965    \$ 16,726    \$ 10,336

**3 Months Ended**

<b>Related Party Transactions (Narrative) (Details)</b>	<b>Jul. 01, 2017</b>	<b>May 04, 2017</b>	<b>Aug. 14, 2013 USD (\$) loan</b>	<b>Mar. 31, 2018 USD (\$) loan</b>	<b>Mar. 31, 2017 USD (\$)</b>	<b>Apr. 30, 2018 USD (\$)</b>	<b>Apr. 23, 2018</b>	<b>Dec. 31, 2017 USD (\$)</b>
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Loans receivable</u></a>					\$ 144,492,000			\$ 148,835,000
<a href="#"><u>MP Securities [Member]   Managing Participating Broker Dealer Agreement [Member]   Variable Series Notes, Class 1 [Member]</u></a>								
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Sales commission percentage</u></a>				5.50%				
<a href="#"><u>MP Securities [Member]   Administrative Services Agreement [Member]</u></a>								
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Abatement amount requested ECCU [Member]</u></a>					\$ 0			
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Funds held with related party</u></a>					907,000			1,100,000
<a href="#"><u>Interest earned</u></a>					1,000	\$ 2,000		
<a href="#"><u>Mortgage loans purchased ECCU [Member]   Lease And Services Agreement [Member]</u></a>					0	0		
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Related party expenses ECCU [Member]   Loan Purchase Agreement [Member]</u></a>					26,000	26,000		
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Interest earned ECCU [Member]   Loan Servicing Agreement [Member]</u></a>					\$ 99,000	152,000		
<a href="#"><u>Related Party Transaction [Line Items]</u></a>								
<a href="#"><u>Number of loans serviced by related party   loan</u></a>					6			

<a href="#">Number of loans held by entity   loan</a>	164	
<a href="#">ECCU [Member]   Loan Servicing Agreement [Member]   Loan Participations [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Loans receivable</a>	\$ 7,600,000	
<a href="#">ECCU [Member]   Master Services Agreement [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Notice period for termination of agreement</a>	30 days	
<a href="#">Agreement renewal period</a>	1 year	
<a href="#">Revenue from related parties</a>	\$ 14,000	14,000
<a href="#">ECCU [Member]   Successor Servicing Agreement [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Revenue from related parties</a>	\$ 2,000	3,000
<a href="#">Loan servicing period</a>	3 years	
<a href="#">ECCU [Member]   MP Securities [Member]   Networking Agreement [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Related party expenses</a>	\$ 4,000	9,000
<a href="#">Notice period for termination of agreement</a>	30 days	
<a href="#">ACCU [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Loans sold to related party</a>	\$ 0	1,900,000
<a href="#">Loan participations outstanding</a>	2,700,000	4,200,000
<a href="#">ACCU [Member]   MP Securities [Member]   Networking Agreement [Member]</a>		
<b><a href="#">Related Party Transaction [Line Items]</a></b>		
<a href="#">Related party expenses</a>	\$ 15,000	\$ 28,000
<a href="#">Notice period for termination of agreement</a>	30 days	
<a href="#">UFCU [Member]   Loan Participations [Member]</a>		



**Related Party Transaction****[Line Items]**

Related party servicing fee 0.50%  
Loans sold to related party \$  
5,000,000

Number of loans sold to related party | loan 1

Board and Executive Management [Member] | MP Securities [Member]

**Related Party Transaction****[Line Items]**

Notes held by related parties \$ 253,000 \$ 250,000  
MP Securities [Member] | Series 1, Subordinated Capital And International Notes [Member]

**Related Party Transaction****[Line Items]**

Management fee 1.00%  
Sales commission percentage 2.50% 0.00%  
Processing fee 0.50%

MP Securities [Member] | Class 1A Notes Selling Agreement [Member]

**Related Party Transaction****[Line Items]**

Sales commission percentage 1.50%  
Servicing fee percentage 1.00%  
Processing fee 0.50%

MP Securities [Member] | Administrative Services Agreement [Member]

**Related Party Transaction****[Line Items]**

Annual servicing fee \$ 250,000  
Abatement agreement maximum amount \$ 250,000

Minimum [Member] | MP Securities [Member] | Managing Participating Broker Dealer Agreement [Member]

**Related Party Transaction****[Line Items]**

Sales commission percentage 2.00%

Minimum [Member] | MP Securities [Member] | Managing

[Participating Broker Dealer Agreement \[Member\] | Fixed Series Class 1 \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Sales commission percentage](#) 0.25%

[Maximum \[Member\] | MP Securities \[Member\] | Managing Participating Broker Dealer Agreement \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Sales commission percentage](#) 5.00%

[Maximum \[Member\] | ECCU \[Member\] | Loan Servicing Agreement \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Pass through rates for loans under loan participation interest higher end of the range \(as a percent\)](#) 0.75%

[Maximum \[Member\] | ACCU \[Member\] | Class 1A Notes Selling Agreement \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Related party servicing fee](#) 5.50%

[Maximum \[Member\] | MP Securities \[Member\] | Series 1, Subordinated Capital And International Notes \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Management fee](#) 2.50%

[Dealer compensation fee](#) 2.50%

[Class A Common Units \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Interest acquired](#) 8.19%

[Class A Common Units \[Member\] | ACCU \[Member\]](#)

**[Related Party Transaction \[Line Items\]](#)**

[Shares purchased by related party | shares](#) 12,000

[Series A Preferred Stock](#)

[\[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Interest acquired](#) 10.25%

[Series A Preferred Stock](#)

[\[Member\]](#) | [ACCU \[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Shares purchased by related party](#)  
[| shares](#) 12,000

[Subsequent Event \[Member\]](#) |

[Secured Notes \[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Notes authorized, maximum](#) \$  
80,000,000

[Subsequent Event \[Member\]](#) |

[MP Securities \[Member\]](#) | [Class](#)

[1A Notes Selling Agreement](#)

[\[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Processing fee](#) 0.50%

[Subsequent Event \[Member\]](#) |

[MP Securities \[Member\]](#) |

[Secured Notes Selling Agreement](#)

[\[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Management fee](#) 1.00% 1.00%

[Processing fee](#) 0.50%

[Subsequent Event \[Member\]](#) |

[Maximum \[Member\]](#) | [MP](#)

[Securities \[Member\]](#) | [Secured](#)

[Notes Selling Agreement](#)

[\[Member\]](#)

**[Related Party Transaction](#)**

**[\[Line Items\]](#)**

[Management fee](#) 5.00%

Loans Receivable and Allowance for Loan Losses (Narrative) (Details)	3 Months Ended Mar. 31, 2018	12 Months Ended Dec. 31, 2017	Dec. 31, 2016
	USD (\$) segment loan item	USD (\$)	USD (\$)
<a href="#">Loans Receivable and Allowance for Loan Losses [Abstract]</a>			
<a href="#">Number of loan categories   item</a>	4		
<a href="#">Loan interest rate</a>	6.35%	6.31%	
<a href="#">Allowance for loan losses</a>	\$ 2,160,000	\$ 2,097,000	\$ 1,875,000
<a href="#">Chargeoffs</a>	\$ 0	\$ 40,000	
<a href="#">Number of loan portfolio segments   segment</a>	1		
<a href="#">Number of restructured loans   loan</a>	0		
<a href="#">Funds committed to be advanced in connection with impaired loans</a>	\$ 0		

**Loans Receivable and  
Allowance for Loan Losses**

**(Summary of Loans)  
(Details) - USD (\$)**

**Mar. 31, 2018 Dec. 31, 2017 Dec. 31, 2016**

**\$ in Thousands**

**Accounts, Notes, Loans and Financing Receivable [Line Items]**

<u>Total loans</u>	\$ 148,379	\$ 152,714	
<u>Deferred loan fees, net</u>	(862)	(911)	
<u>Loan discount</u>	(865)	(871)	
<u>Allowance for loan losses</u>	(2,160)	(2,097)	\$ (1,875)
<u>Loans, net</u>	144,492	148,835	

**Real Estate Secured [Member]**

**Accounts, Notes, Loans and Financing Receivable [Line Items]**

<u>Total loans</u>	148,110	151,214	
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**Unsecured [Member]**

**Accounts, Notes, Loans and Financing Receivable [Line Items]**

<u>Total loans</u>	\$ 269	\$ 1,500	
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**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Changes in  
Allowance for Loan Losses)  
(Details) - USD (\$)**

**3 Months Ended      12 Months Ended**  
**Mar. 31, 2018   Mar. 31, 2017   Dec. 31, 2017**

**Loans Receivable and Allowance for Loan Losses [Abstract]**

<u>Balance, beginning</u>	\$ 2,097,000	\$ 1,875,000	\$ 1,875,000
<u>Provision for loan loss</u>	63,000	\$ 5,000	262,000
<u>Chargeoffs</u>	0		(40,000)
<u>Balance, ending</u>	\$ 2,160,000		\$ 2,097,000

**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Loans and  
Allowance for Loan Losses  
by Impairment  
Methodology) (Details) -  
USD (\$)**

**Mar. 31, 2018 Dec. 31, 2017 Dec. 31, 2016**

**\$ in Thousands**

**Loans Receivable and Allowance for Loan Losses [Abstract]**

<u>Loans: Individually evaluated for impairment</u>	\$ 9,102	\$ 9,255	
<u>Loans: Collectively evaluated for impairment</u>	139,277	143,459	
<u>Loans: Balance</u>	148,379	152,714	
<u>Allowance for loan losses: Individually evaluated for impairment</u>	1,293	1,260	
<u>Allowance for loan losses: Collectively evaluated for impairment</u>	867	837	
<u>Allowance for loan losses: Balance</u>	\$ 2,160	\$ 2,097	\$ 1,875

**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Loan Portfolio  
Credit Quality Indicators by  
Class) (Details) - USD (\$)  
\$ in Thousands**

**Mar. 31, 2018 Dec. 31, 2017**

<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	\$ 148,379	\$ 152,714
Wholly-Owned First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	136,098	137,563
Wholly-Owned Junior [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	4,181	5,465
Participation First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	8,100	9,686
Pass [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	122,945	130,165
Pass [Member]   Wholly-Owned First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	111,067	115,422
Pass [Member]   Wholly-Owned Junior [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	3,987	5,269
Pass [Member]   Participation First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	7,891	9,474
Watch [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	16,332	13,294
Watch [Member]   Wholly-Owned First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	16,123	13,082
Watch [Member]   Participation First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	209	212
Special [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	3,100	3,152
Special [Member]   Wholly-Owned First [Member]		
<b><u>Financing Receivable, Recorded Investment [Line Items]</u></b>		
Credit risks rated loans	3,100	3,152



Substandard [Member]

**Financing Receivable, Recorded Investment [Line Items]**

<u>Credit risks rated loans</u>	6,002	6,103
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Substandard [Member] | Wholly-Owned First [Member]

**Financing Receivable, Recorded Investment [Line Items]**

<u>Credit risks rated loans</u>	5,808	5,907
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Substandard [Member] | Wholly-Owned Junior [Member]

**Financing Receivable, Recorded Investment [Line Items]**

<u>Credit risks rated loans</u>	\$ 194	\$ 196
---------------------------------	--------	--------

**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Age Analysis of  
Past Due Loans by Class)  
(Details) - USD (\$)  
\$ in Thousands**

**Mar. 31,  
2018      Dec. 31,  
2017**

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	\$ 9,283	\$ 5,304
<u>Current</u>	139,096	147,410
<u>Loans: Balance</u>	148,379	152,714

Financing Receivables, 30 to 59 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	6,473	
-----------------------	-------	--

Financing Receivables, 60 to 89 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>		3,717
-----------------------	--	-------

Financing Receivables, Equal to Greater Than 90 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	2,810	1,587
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Wholly-Owned First [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	9,089	5,108
-----------------------	-------	-------

<u>Current</u>	127,009	132,455
----------------	---------	---------

<u>Loans: Balance</u>	136,098	137,563
-----------------------	---------	---------

Wholly-Owned First [Member] | Financing Receivables, 30 to 59 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	6,279	
-----------------------	-------	--

Wholly-Owned First [Member] | Financing Receivables, 60 to 89 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>		3,521
-----------------------	--	-------

Wholly-Owned First [Member] | Financing Receivables, Equal to Greater Than 90 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	2,810	1,587
-----------------------	-------	-------

Wholly-Owned Junior [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	194	196
-----------------------	-----	-----

<u>Current</u>	3,987	5,269
----------------	-------	-------

<u>Loans: Balance</u>	4,181	5,465
-----------------------	-------	-------

Wholly-Owned Junior [Member] | Financing Receivables, 30 to 59 Days Past Due [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Total Past Due</u>	194	
<u>Wholly-Owned Junior [Member]   Financing Receivables, 60 to 89 Days Past Due [Member]</u>		
<b><u>Financing Receivable, Recorded Investment, Past Due [Line Items]</u></b>		
<u>Total Past Due</u>		196
<u>Participation First [Member]</u>		
<b><u>Financing Receivable, Recorded Investment, Past Due [Line Items]</u></b>		
<u>Current</u>	8,100	9,686
<u>Loans: Balance</u>	\$ 8,100	\$ 9,686

**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Impaired Loans  
by Class) (Details) - Church  
Loans [Member] - USD (\$)  
\$ in Thousands**

	<b>3 Months Ended</b>		<b>12 Months Ended</b>
	<b>Mar. 31, 2018</b>	<b>Mar. 31, 2017</b>	<b>Dec. 31, 2017</b>
<b><u>Financing Receivable, Recorded Investment, Past Due [Line Items]</u></b>			
<u>Unpaid Principal Balance, Total</u>	\$ 11,850	\$ 8,725	\$ 11,882
<u>Related Allowance</u>	1,293	1,072	1,260
<u>Net Loan Principal Balance, Total</u>	10,557	7,653	10,622
<u>Discount, Total</u>	748	756	773
<u>Net Recorded Investment, Total</u>	9,809	6,898	9,849
<u>Average Recorded Investment, Total</u>	11,864	8,045	9,067
<u>Interest Income Recognized, Total</u>	24		
<b><u>Wholly-Owned First [Member]</u></b>			
<b><u>Financing Receivable, Recorded Investment, Past Due [Line Items]</u></b>			
<u>Unpaid Principal Balance, With no allowance recorded</u>	4,876	4,267	6,395
<u>Unpaid Principal Balance, With an allowance recorded</u>	6,758	4,256	5,271
<u>Related Allowance</u>	1,293	1,072	1,260
<u>Net Loan Principal Balance, With no allowance recorded</u>	4,876	4,267	6,395
<u>Net Loan Principal Balance, With an allowance recorded</u>	5,465	3,184	4,011
<u>Discount, With no related allowance</u>	443	425	443
<u>Discount, With an allowance recorded</u>	294	319	319
<u>Net Recorded Investment, With no related allowance recorded</u>	4,433	3,842	5,952
<u>Net Recorded Investment, With an allowance recorded</u>	5,171	2,865	3,692
<u>Average Recorded Investment, With no allowance recorded</u>	4,885	3,880	4,703
<u>Average Recorded Investment, With an allowance recorded</u>	6,763	3,972	4,163
<u>Interest Income Recognized, With no related allowance</u>	24		
<u>Interest Income Recognized, With an allowance recorded</u>			
<b><u>Wholly-Owned Junior [Member]</u></b>			
<b><u>Financing Receivable, Recorded Investment, Past Due [Line Items]</u></b>			
<u>Unpaid Principal Balance, With no allowance recorded</u>	216	202	216
<u>Net Loan Principal Balance, With no allowance recorded</u>	216	202	216
<u>Discount, With no related allowance</u>	11	11	11
<u>Net Recorded Investment, With no related allowance recorded</u>	205	191	205
<u>Average Recorded Investment, With no allowance recorded</u>	216	192	200
<u>Average Recorded Investment, With an allowance recorded</u>			
<u>Interest Income Recognized, With no related allowance</u>			
<u>Interest Income Recognized, With an allowance recorded</u>			
<b><u>Participation First [Member]</u></b>			

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

Average Recorded Investment, With no allowance recorded

Average Recorded Investment, With an allowance recorded

Interest Income Recognized, With no related allowance

Interest Income Recognized, With an allowance recorded

Participation Junior [Member]

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

Average Recorded Investment, With no allowance recorded

Average Recorded Investment, With an allowance recorded

Interest Income Recognized, With no related allowance

Interest Income Recognized, With an allowance recorded

**Loans Receivable and  
Allowance for Loan Losses  
(Schedule of Loans on  
Nonaccrual Status by Class)  
(Details) - USD (\$)  
\$ in Thousands**

**Mar. 31, 2018 Dec. 31, 2017**

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Nonaccrual loans</u>	\$ 8,207	\$ 8,363
<u>Wholly-Owned First [Member]</u>		

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Nonaccrual loans</u>	8,013	8,167
<u>Wholly-Owned Junior [Member]</u>		

**Financing Receivable, Recorded Investment, Past Due [Line Items]**

<u>Nonaccrual loans</u>	\$ 194	\$ 196
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**Investments in Joint Venture  
(Narrative) (Details) - USD  
(\$)  
\$ in Thousands**

**3 Months Ended**

**Mar. 31, 2018 Mar. 31, 2017 Dec. 31, 2017 Jan. 31, 2016**

**Investments in Joint Venture [Abstract]**

<u>Investments in joint venture</u>	\$ 896		\$ 896	\$ 900
<u>Income (loss) from Joint Venture Investment</u>	\$ 0	\$ 1		

Revenue Recognition (Schedule of Disaggregated Revenue) (Details) \$ in Thousands	3 Months Ended	
	Mar. 31, 2018 USD (\$) item	Mar. 31, 2017 USD (\$)
<b><u>Disaggregation of Revenue [Line Items]</u></b>		
<u>Total non-interest income</u>	\$ 225	\$ 294
<u>Types of revenue, number   item</u>	2	
<u>Wealth Advisory Fees [Member]</u>		
<b><u>Disaggregation of Revenue [Line Items]</u></b>		
<u>Total non-interest income</u>	\$ 49	37
<u>Investment Brokerage Fees [Member]</u>		
<b><u>Disaggregation of Revenue [Line Items]</u></b>		
<u>Total non-interest income</u>	106	109
<u>Lending Fees [Member]</u>		
<b><u>Disaggregation of Revenue [Line Items]</u></b>		
<u>Total non-interest income</u>	[1]41	130
<u>Other Non-Interest Income [Member]</u>		
<b><u>Disaggregation of Revenue [Line Items]</u></b>		
<u>Total non-interest income</u>	\$ 29	\$ 18

[1] Not within scope of ASC 606



Loan Participation Sales (Narrative) (Details) \$ in Thousands	3 Months Ended		12 Months Ended
	Mar. 31, 2018 USD (\$) loan	Mar. 31, 2017 USD (\$)	Dec. 31, 2017 USD (\$) loan
<a href="#">Loan Participation Sales [Abstract]</a>			
<a href="#">Number of church loans sold   loan</a>	0		6
<a href="#">Proceeds from the sale of church loans</a>			\$ 9,700
<a href="#">Servicing assets</a>			\$ 203
<a href="#">Amortization of servicing assets</a>	\$ 19	\$ 20	

**Loan Participation Sales  
(Schedule of Servicing  
Assets) (Details) - USD (\$)  
\$ in Thousands**

	<b>3 Months Ended</b>	<b>12 Months Ended</b>
	<b>Mar. 31, 2018</b>	<b>Mar. 31, 2017    Dec. 31, 2017</b>

**Loan Participation Sales [Abstract]**

<u>Balance, beginning of period</u>	\$ 270	\$ 258	\$ 258
<u>Additions: Servicing obligations from sale of loan participations</u>		118	203
<u>Subtractions: Amortization</u>	(19)	(20)	(191)
<u>Balance, end of period</u>	\$ 251	\$ 356	\$ 270

**Premises and Equipment**  
**(Narrative) (Details) - USD**  
**(\$)**  
**\$ in Thousands**

**3 Months Ended**

**Mar. 31, 2018 Mar. 31, 2017**

[Premises and Equipment \[Abstract\]](#)

[Depreciation and amortization expense](#) \$ 8 \$ 7

**Premises and Equipment  
(Summary of Premises and  
Equipment) (Details) - USD  
(\$)**

**Mar. 31, 2018 Dec. 31, 2017**

**\$ in Thousands**

**Property, Plant and Equipment [Line Items]**

Total premises and equipment \$ 733 \$ 733

Less accumulated depreciation and amortization (638) (630)

Premises and equipment, net 95 103

Furniture And Office Equipment [Member]

**Property, Plant and Equipment [Line Items]**

Total premises and equipment 486 486

Computer System [Member]

**Property, Plant and Equipment [Line Items]**

Total premises and equipment 222 222

Leasehold Improvements [Member]

**Property, Plant and Equipment [Line Items]**

Total premises and equipment \$ 25 \$ 25



Principal and interest  
payments  
Collateral

129

\$ 24,900

\$  
26,900

**NCUA Credit Facilities**  
**(Schedule of Maturities of Mar. 31, 2018**  
**Notes Payable) (Details) USD (\$)**  
**\$ in Thousands**

**Debt Instrument [Line Items]**

Total \$ 68,300

Credit Facilities [Member]

**Debt Instrument [Line Items]**

2019 4,977

2020 5,105

2021 5,240

2022 5,374

2023 5,511

Thereafter 54,058

Total \$ 80,265

Notes Payable (Narrative) (Details) \$ in Thousands	3 Months Ended			
	Mar. 31, 2018 USD (\$) item	Feb. 28, 2018 USD (\$)	Dec. 31, 2017 USD (\$)	Mar. 31, 2017 USD (\$)
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	\$ 68,300			
<u>Notes payable, debt issuance costs</u>	72		\$ 85	
<u>Restricted cash</u>	56		58	
<u>Unsecured [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	59,200			\$ 59,300
<u>Secured [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	9,100			\$ 9,800
<u>Class A Notes [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	11,715		12,300	
<u>Class 1 Notes [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	37,014		39,700	
<u>Secured Notes [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	9,124		9,800	
<u>Collateral</u>			10,900	
<u>Maximum amount to sell secured investment certificates</u>	\$ 80,000			
<u>Secured Notes [Member]   Cash [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Minimum collateralization ratio</u>	100.00%			
<u>Secured Notes [Member]   Loans Receivable [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Minimum collateralization ratio</u>	105.00%			
<u>Collateral</u>	\$ 10,800			
<u>Class 1A Notes [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	\$ 400			
<u>Number of series in class of notes   item</u>	2			
<u>Notes authorized, maximum</u>		\$ 90,000		
<u>Subordinated Notes [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				
<u>Notes payable, gross</u>	\$ 9,933		6,800	
<u>Special Offering [Member]</u>				
<b><u>Debt Instrument [Line Items]</u></b>				



<a href="#">Notes payable, gross</a>	\$ 114	\$ 473
<a href="#">Maximum number of non accredited investors   item</a>	35	
<a href="#">Minimum [Member]   Subordinated Notes [Member]</a>		
<b><a href="#">Debt Instrument [Line Items]</a></b>		
<a href="#">Maturity period</a>	12 months	
<a href="#">Maximum [Member]   Subordinated Notes [Member]</a>		
<b><a href="#">Debt Instrument [Line Items]</a></b>		
<a href="#">Maturity period</a>	60 months	
<a href="#">Swap Index Rate [Member]   Subordinated Notes [Member]</a>		
<b><a href="#">Debt Instrument [Line Items]</a></b>		
<a href="#">Interest rate measurement period</a>	7 days	

**Notes Payable (Schedule of  
Notes Payable) (Details) - Mar. 31, 2018 Dec. 31, 2017**  
**USD (\$)**  
**\$ in Thousands**

**Debt Instrument [Line Items]**

Amount \$ 68,300  
Notes payable \$ 68,228 \$ 69,003  
Weighted Average Interest Rate 3.55%

Class A Notes [Member]

**Debt Instrument [Line Items]**

Amount \$ 11,715 12,300  
Weighted Average Interest Rate 4.05%

Class 1 Notes [Member]

**Debt Instrument [Line Items]**

Amount \$ 37,014 39,700  
Weighted Average Interest Rate 3.77%

Class 1A Notes [Member]

**Debt Instrument [Line Items]**

Amount \$ 400  
Weighted Average Interest Rate 5.88%

Special Offering [Member]

**Debt Instrument [Line Items]**

Amount \$ 114 473  
Weighted Average Interest Rate 3.35%

Subordinated Notes [Member]

**Debt Instrument [Line Items]**

Amount \$ 9,933 6,800  
Weighted Average Interest Rate 4.63%

Secured Notes [Member]

**Debt Instrument [Line Items]**

Amount \$ 9,124 \$ 9,800  
Weighted Average Interest Rate 3.77%

**Notes Payable (Schedule of  
Maturities of Notes Payable) Mar. 31, 2018**  
**(Details) USD (\$)**  
**\$ in Thousands**

**Debt Instrument [Line Items]**

Total \$ 68,300

Notes Payable [Member]

**Debt Instrument [Line Items]**

2019 17,227

2020 15,120

2021 16,749

2022 14,343

2023 4,156

Thereafter 705

Total \$ 68,300

**Commitments and  
Contingencies (Narrative)  
(Details)  
\$ in Thousands**

**3 Months Ended  
Mar. 31, 2018    Mar. 31, 2017  
USD (\$)        USD (\$)  
item**

**[Commitments And Contingencies \[Line Items\]](#)**

[Loss contingency accrual | \\$](#)

\$ 30

[Rent expense | \\$](#)

\$ 36

\$ 35

[Brea \[Member\]](#)

**[Commitments And Contingencies \[Line Items\]](#)**

[Number of lease extension options remaining | item](#) 1

[Lease extension period](#)

5 years

[Fresno \[Member\]](#)

**[Commitments And Contingencies \[Line Items\]](#)**

[Number of lease extension options remaining | item](#) 0

**Commitments and  
Contingencies (Unfunded  
Commitments) (Details) -  
USD (\$)**

**Mar. 31, 2018 Dec. 31, 2017**

**\$ in Thousands**

[Undisbursed Loans \[Member\]](#)

[Commitments And Contingencies \[Line Items\]](#)

<u><a href="#">Unfunded Commitments</a></u>	\$ 889	\$ 1,199
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[Standby Letter Of Credit \[Member\]](#)

[Commitments And Contingencies \[Line Items\]](#)

<u><a href="#">Unfunded Commitments</a></u>	\$ 384	\$ 384
---	--------	--------

**Commitments and  
Contingencies (Operating  
Lease Commitments)  
(Details)**

**Mar. 31, 2018  
USD (\$)**

**\$ in Thousands**

**Commitments and Contingencies [Abstract]**

<u>2018</u>	\$ 118
<u>2019</u>	27
<u>Thereafter</u>	
<u>Future minimum rental payments</u>	\$ 145

**Preferred and Common  
Units Under LLC Structure  
(Narrative) (Details)**

**3 Months  
Ended  
Mar. 31,  
2018      Dec. 31,  
item / shares      2017  
item      \$ / shares  
\$ / shares**

**Class of Stock [Line Items]**

Liquidation preference, per share | \$ / shares

\$ 100      \$ 100

Series A Preferred Units [Member]

**Class of Stock [Line Items]**

Spread over LIBOR

0.25%

Interest rate measurement period

1 year

Preferred stock, dividend payment rate

10%

Liquidation preference, per share | \$ / shares

\$ 100

Number of voting rights | item / shares

0

Threshold of number of consecutive quarters without paid preferred return for appointment of managers | item

4

Number of managers that can be appointed after threshold for period of unpaid preferred returns reached | item

2

Retirement Plans (Narrative) (Details) - USD (\$)	3 Months Ended		12 Months Ended
	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
<a href="#">401(k) plan [Member]</a>			
<b><a href="#">Defined Benefit Plan Disclosure [Line Items]</a></b>			
<a href="#">Minimum age restriction for participation (in years)</a>	21 years		
<a href="#">Maximum voluntary percentage contributions of salary (as a percent)</a>	86.00%		
<a href="#">Safe harbor contribution percentage, company matching of employee contributions after initial threshold met</a>	50.00%		
<a href="#">Safe harbor contribution percentage, maximum employer contribution percentage</a>	5.00%		
<a href="#">Matching contributions by employer</a>	\$ 28,000	\$ 26,000	
<a href="#">401(k) plan [Member]   Maximum [Member]</a>			
<b><a href="#">Defined Benefit Plan Disclosure [Line Items]</a></b>			
<a href="#">Safe harbor contribution percentage, percent of employees contribution</a>	3.00%		
<a href="#">Profit Sharing [Member]</a>			
<b><a href="#">Defined Benefit Plan Disclosure [Line Items]</a></b>			
<a href="#">Minimum age restriction for participation (in years)</a>	21 years		
<a href="#">Matching contributions by employer</a>	\$ 0		\$ 0
<a href="#">Minimum number of service hours required in plan year to be eligible under plan</a>	900 hours		



**Fair Value Measurements  
(Schedule of Carrying  
Amounts and Estimated Fair  
Values of Financial  
Instruments) (Details) - USD  
(\$)**

**Mar. 31,  
2018      Dec. 31,  
2017      Jan. 31,  
2016**

**\$ in Thousands**

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]**

<u>Carrying Value, Cash</u>	\$ 11,879	\$ 9,907	
<u>Carrying Value, Loans, net</u>	144,492	148,835	
<u>Carrying Value, Investments in joint venture</u>	896	896	\$ 900
<u>Carrying Value, NCUA borrowings</u>	80,265	81,492	
<u>Carrying Value, Notes payable</u>	68,228	69,003	
<u>Carrying Value [Member]</u>			

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]**

<u>Carrying Value, Cash</u>	11,879	9,907	
<u>Carrying Value, Loans, net</u>	144,492	148,835	
<u>Carrying Value, Investments in joint venture</u>	896	896	
<u>Carrying Value, Accrued interest receivable</u>	726	742	
<u>Carrying Value, NCUA borrowings</u>	80,265	81,492	
<u>Carrying Value, Notes payable</u>	68,228	69,003	
<u>Carrying Value, Other financial liabilities</u>	290	346	
<u>Fair Value [Member]</u>			

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]**

<u>Fair Value, Cash</u>	11,879	9,907	
<u>Fair Value, Loans, net</u>	142,398	146,732	
<u>Fair Value, Investments in joint venture</u>	896	896	
<u>Fair Value, Accrued interest receivable</u>	725	742	
<u>Fair Value, NCUA borrowings</u>	74,628	76,945	
<u>Fair Value, Notes payable</u>	68,246	69,264	
<u>Fair Value, Other financial liabilities</u>	290	346	

**Quoted Prices In Active Markets For Identical Assets Level 1 [Member] |**

Fair Value [Member]

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]**

<u>Fair Value, Cash</u>	11,879	9,907	
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**Significant Unobservable Inputs Level 3 [Member] | Fair Value [Member]**

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]**

<u>Fair Value, Loans, net</u>	142,398	146,732	
<u>Fair Value, Investments in joint venture</u>	896	896	

<u>Fair Value, Accrued interest receivable</u>	725	742
<u>Fair Value, NCUA borrowings</u>	74,628	76,945
<u>Fair Value, Notes payable</u>	68,246	69,264
<u>Fair Value, Other financial liabilities</u>	\$ 290	\$ 346

**Fair Value Measurements  
(Schedule of Fair Value  
Measured on a Nonrecurring  
Basis) (Details) - Fair Value  
Measured On A  
Nonrecurring Basis  
[Member] - USD (\$)  
\$ in Thousands**

**Mar. 31,  
2018**                      **Dec. 31,  
2017**

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line  
Items]**

<u>Collateral dependent loans (net of allowance and discount)</u>	\$ 5,992	\$ 6,135
<u>Investments in joint venture</u>	896	896
<u>Total</u>	6,888	7,031

**Significant Unobservable Inputs Level 3 [Member]**

**Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line  
Items]**

<u>Collateral dependent loans (net of allowance and discount)</u>	5,992	6,135
<u>Investments in joint venture</u>	896	896
<u>Total</u>	\$ 6,888	\$ 7,031

Fair Value Measurements (Schedule of Fair Value of Assets Measured on Recurring Basis, Unobservable Input Reconciliation) (Details) - USD (\$) \$ in Thousands	3 Months Ended	12 Months Ended
	Mar. 31, 2018	Dec. 31, 2017

Impaired Loans [Member]

**Fair Value, Assets Measured on Recurring Basis, Unobservable Input  
Reconciliation [Line Items]**

<u>Beginning Balance</u>	\$ 6,135	\$ 4,736
<u>Re-classifications of assets from Level 3 into Level 2</u>		1,253
<u>Allowance and discount, net of discount amortization</u>		(500)
<u>Allowance and discount, net of discount amortization</u>	(37)	
<u>Loans that became impaired</u>		1,495
<u>Loan payments and payoffs</u>	(106)	(849)
<u>Ending Balance</u>	5,992	6,135

Investment in Joint Venture [Member]

**Fair Value, Assets Measured on Recurring Basis, Unobservable Input  
Reconciliation [Line Items]**

<u>Beginning Balance</u>	896	892
<u>Pro rata share of joint venture losses</u>		4
<u>Ending Balance</u>	\$ 896	\$ 896

<b>Fair Value Measurements (Schedule of Valuation Methodologies Used to Measure the Fair Value Adjustments for Level 3 Assets Recorded at Fair Value on a Nonrecurring Basis) (Details) - USD (\$) \$ in Thousands</b>	<b>3 Months Ended</b>	<b>12 Months Ended</b>	
	<b>Mar. 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>Jan. 31, 2016</b>
<a href="#">Fair Value Inputs, Assets, Quantitative Information [Line Items]</a>			
<a href="#">Investments in joint venture</a>	\$ 896	\$ 896	\$ 900
<a href="#">Fair Value Measured On A Nonrecurring Basis [Member]</a>			
<a href="#">Fair Value Inputs, Assets, Quantitative Information [Line Items]</a>			
<a href="#">Loans receivable</a>	5,992	6,135	
<a href="#">Fair Value Measured On A Nonrecurring Basis [Member]   Significant Unobservable Inputs Level 3 [Member]</a>			
<a href="#">Fair Value Inputs, Assets, Quantitative Information [Line Items]</a>			
<a href="#">Loans receivable</a>	5,992	6,135	
<a href="#">Fair Value Measured On A Nonrecurring Basis [Member]   Significant Unobservable Inputs Level 3 [Member]   Impaired Loans [Member]   Discounted Appraised Value [Member]   Selling Cost / Estimate Market Decrease [Member]</a>			
<a href="#">Fair Value Inputs, Assets, Quantitative Information [Line Items]</a>			
<a href="#">Loans receivable</a>	\$ 5,992	\$ 6,135	
<a href="#">Valuation Techniques</a>	Discounted appraised value		
<a href="#">Unobservable Input</a>	Selling cost / Estimated market decrease		
<a href="#">Fair Value Measured On A Nonrecurring Basis [Member]   Significant Unobservable Inputs Level 3 [Member]   Investment in Joint Venture [Member]   Internal Evaluations [Member]   Estimated Future Market Value [Member]</a>			
<a href="#">Fair Value Inputs, Assets, Quantitative Information [Line Items]</a>			
<a href="#">Investments in joint venture</a>	\$ 896		
<a href="#">Valuation Techniques</a>	Internal evaluations		
<a href="#">Unobservable Input</a>	Estimated future market value		
<a href="#">Range</a>	0.00%	0.00%	
<a href="#">Fair Value Measured On A Nonrecurring Basis [Member]   Significant Unobservable Inputs Level 3 [Member]   Foreclosed Assets [Member]   Internal Evaluations [Member]   Estimated Future Market Value [Member]</a>			

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Investments in joint venture

\$ 896

Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Foreclosed Assets [Member] | Discounted Appraised Value Or Discounted Listing Price [Member] | Estimated Future Market Value [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Valuation Techniques

Internal evaluations

Minimum [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Discounted Appraised Value [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

25.00%

Minimum [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Internal Evaluations [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

25.00%

Maximum [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Discounted Appraised Value [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

58.00%

Maximum [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Internal Evaluations [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

58.00%

Weighted Average [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Discounted Appraised Value [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

35.00%

Weighted Average [Member] | Fair Value Measured On A Nonrecurring Basis [Member] | Significant Unobservable Inputs Level 3 [Member] | Impaired Loans [Member] | Internal Evaluations [Member] | Selling Cost / Estimate Market Decrease [Member]

**Fair Value Inputs, Assets, Quantitative Information [Line Items]**

Range

38.00%

[Weighted Average \[Member\] | Fair Value Measured On A Nonrecurring Basis \[Member\] | Significant Unobservable Inputs Level 3 \[Member\] | Investment in Joint Venture \[Member\] | Internal Evaluations \[Member\]](#)

**[Fair Value Inputs, Assets, Quantitative Information \[Line Items\]](#)**

[Range](#)

0.00%

[Weighted Average \[Member\] | Fair Value Measured On A Nonrecurring Basis \[Member\] | Significant Unobservable Inputs Level 3 \[Member\] | Investment in Joint Venture \[Member\] | Internal Evaluations \[Member\] | Estimated Future Market Value \[Member\]](#)

**[Fair Value Inputs, Assets, Quantitative Information \[Line Items\]](#)**

[Range](#)

0.00%

Income Taxes and State LLC Fees (Narrative) (Details) - USD (\$)	3 Months Ended	12 Months Ended	
	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Operating loss carryforward expiration</a> <a href="#">California Franchise Tax Board [Member]</a>	Dec. 31, 2030		
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Gross receipt fee based on turnover</a> <a href="#">MP Securities [Member]   California Franchise Tax Board [Member]</a>	\$ 12,000		
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Gross receipt fee based on turnover</a> <a href="#">MP Realty [Member]</a>		\$ 6,400	
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Valuation allowance, percentage</a> <a href="#">MP Realty [Member]   California Franchise Tax Board [Member]</a>		100.00%	100.00%
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Gross receipt fee based on turnover</a> <a href="#">MP Realty [Member]   Federal [Member]</a>		\$ 800	\$ 800
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Operating loss carryforwards</a> <a href="#">MP Realty [Member]   State [Member]</a>		\$ 407,000	
<a href="#">Income Tax Disclosure [Line Items]</a> <a href="#">Operating loss carryforwards</a>			\$ 402,000



**Segment Information  
(Narrative) (Details)**

**3 Months Ended  
Mar. 31, 2018  
segment**

[Segment Information \[Abstract\]](#)

[Number of segments](#) 2

**Segment Information  
(Schedule of Financial  
Information by Reportable  
Segments) (Details) - USD (\$)  
\$ in Thousands**

**3 Months Ended**

**Mar. 31, 2018 Mar. 31, 2017 Dec. 31, 2017**

**Segment Reporting Information [Line Items]**

<u>External income</u>	\$ 2,566	\$ 2,634	
<u>External non-interest expenses</u>	1,258	1,286	
<u>Segment net profit (loss)</u>	59	245	
<u>Segment assets</u>	158,739	160,862	\$ 161,022

**Operating Segments [Member]**

**Segment Reporting Information [Line Items]**

<u>External income</u>	2,697	2,823	
<u>External non-interest expenses</u>	1,258	1,424	
<u>Segment net profit (loss)</u>	(13)	297	
<u>Segment assets</u>	158,762	160,868	

**Inter-segment Elimination [Member]**

**Segment Reporting Information [Line Items]**

<u>External income</u>	(131)	(189)	
<u>External non-interest expenses</u>		(138)	
<u>Segment net profit (loss)</u>	72	(52)	

**Finance Company [Member]**

**Segment Reporting Information [Line Items]**

<u>External income</u>	2,409	2,488	
<u>External non-interest expenses</u>	975	1,011	

**Finance Company [Member] | Operating Segments [Member]**

**Segment Reporting Information [Line Items]**

<u>Segment net profit (loss)</u>	(18)	238	
<u>Segment assets</u>	157,641	160,357	

**Finance Company [Member] | Inter-segment Elimination [Member]**

**Segment Reporting Information [Line Items]**

<u>External non-interest expenses</u>		(138)	
---------------------------------------	--	-------	--

**Broker Dealer [Member]**

**Segment Reporting Information [Line Items]**

<u>External income</u>	157	146	
<u>External non-interest expenses</u>	283	275	

**Broker Dealer [Member] | Operating Segments [Member]**

**Segment Reporting Information [Line Items]**

<u>Segment net profit (loss)</u>	5	59	
<u>Segment assets</u>	1,121	511	

**Broker Dealer [Member] | Inter-segment Elimination [Member]**

**Segment Reporting Information [Line Items]**

<u>External income</u>	\$ (131)	\$ (189)	
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**Segment Information**  
**(Schedule of Reconciliation**  
**Amounts from Segments to**  
**Consolidated) (Details) -**  
**USD (\$)**  
**\$ in Thousands**

**3 Months Ended**

**Mar. 31, 2018 Mar. 31, 2017 Dec. 31, 2017**

**Segment Reporting Information [Line Items]**

<u>Revenues</u>	\$ 2,566	\$ 2,634	
<u>Non-interest expenses</u>	1,258	1,286	
<u>Segment net profit (loss)</u>	59	245	
<u>Segment assets</u>	158,739	160,862	\$ 161,022

Operating Segments [Member]

**Segment Reporting Information [Line Items]**

<u>Revenues</u>	2,697	2,823	
<u>Non-interest expenses</u>	1,258	1,424	
<u>Segment net profit (loss)</u>	(13)	297	
<u>Segment assets</u>	158,762	160,868	

Inter-segment Elimination [Member]

**Segment Reporting Information [Line Items]**

<u>Revenues</u>	(131)	(189)	
<u>Non-interest expenses</u>		(138)	
<u>Segment net profit (loss)</u>	72	(52)	

Corporate [Member]

**Segment Reporting Information [Line Items]**

<u>Segment assets</u>	\$ (23)	\$ (6)	
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**Subsequent Events  
(Narrative) (Details) -  
Secured Notes Selling  
Agreement [Member] - MP Apr. 30, 2018 Apr. 23, 2018  
Securities [Member] -  
Subsequent Event [Member]**

**Subsequent Event [Line Items]**

Management fee 1.00% 1.00%

Processing fee 0.50%

Maximum [Member]

**Subsequent Event [Line Items]**

Management fee 5.00%