Providing Affordable Housing & Financing for Families
Capital Plus Financial
Business Overview
Capital Plus Financial Overview

- Capital Plus Financial ("CPF"), is a specialty finance company which has been certified as a Community Development Financial Institution ("CDFI")
  - CPF purchases single family homes, rehabilitates them and then resells them at an affordable price to make homeownership possible to Hispanic families. Additionally, CPF provides mortgage financing, if needed, to well qualified borrowers.
    - CPF’s current portfolio of assets is in the Dallas/Fort Worth, Greater Houston and San Antonio markets
    - CPF’s mortgages are originated as Qualified Mortgages ("QM") and are fully compliant to current lending regulations
- CPF utilizes credit facilities from local and regional banks to purchase/finance these homes
  - Facilities have advance rates between 75-85% of the property value or the mortgage amount
Acquisition & Rehab

- Acquire properties in LMI census tracts
  - Average size is 1,200-1,400 square feet
- Average rehab cost is $20-$30K
- Average turnaround time on rehab is 45 days

Before

After

Capital Plus Financial Model

<table>
<thead>
<tr>
<th>Financing Terms *</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Sales Price</td>
<td>$128,000</td>
</tr>
<tr>
<td>Average Loan Amount</td>
<td>$119,000</td>
</tr>
<tr>
<td>Average Appraised Value</td>
<td>$130,000</td>
</tr>
<tr>
<td>Monthly P&amp;I</td>
<td>$1,117</td>
</tr>
<tr>
<td>Rate &amp; Term</td>
<td>Fixed; 30 Year Amort</td>
</tr>
<tr>
<td>Taxes &amp; Insurance</td>
<td>$247 (escrowed)</td>
</tr>
</tbody>
</table>

* Based on originations for FY 2018
CPF has a syndicate of community banks that provide long-term lines of credit secured by the mortgage portfolio.

CPF is an attractive credit due to its earnings power, low leverage ratio, and CRA lending credit.

CPF issues a Perpetual Preferred Stock Offering that serves as CRA Investments test credit for our investors.

Eligible for membership into the Federal Home Loan Bank System.

CPF is continually looking to reposition its debt by borrowing on longer terms and on fixed rates which the CDFI Bond Guarantee Program, the Federal Home Loan Bank and/or CRA Securitization provide.

* See appendix for details

www.capitalplusfin.com
Capital Plus Financial Growth Opportunities

- Existing portfolio growth
  - $20-$25 million of new financings per year
- Acquisition of mortgage notes receivable to grow the portfolio
- Entering new markets
- M&A opportunities within CDFI’s
- Lending to smaller CDFI’s

Unpaid Mortgage Principal Balance

<table>
<thead>
<tr>
<th>FY OCT 2014*</th>
<th>FY OCT 2015*</th>
<th>FY OCT 2016*</th>
<th>FY OCT 2017*</th>
<th>FY OCT 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$41,639,532</td>
<td>$56,265,997</td>
<td>$73,574,916</td>
<td>$89,382,843</td>
<td>$109,022,511</td>
</tr>
</tbody>
</table>

* CPF YE was 12/31 and has subsequently changed to 10/31. Figures have been restated as of 10/31 for comparative purposes.
According to a report on Hispanic Homeownership, the Hispanic population in Texas, for example, as of 2017 was 10.9 million. Based on 2016 US Census Bureau data, Hispanics represented 38.6% of the state population and had a 56.5% home ownership rate.

Nationally, at 66.1%, Hispanics have a higher labor force participation rate than any other ethnic demographic.

The continued shortage of affordable housing inventory coupled with prolonged natural disasters concentrated in the nation’s most populous Latino states, and increasing uncertainty over immigration policy, have created significant hurdles for Latino homeownership and economic saliency.

Hispanics are the only demographic to have increased their rate of homeownership for the last three consecutive years.

Hispanics accounted for 15% of the net homeownership gains in the country. However, looking at the data over a broader trend in time, Hispanics have been responsible for 46.5% of net U.S. homeownership gains since 2000.

The National Association of Hispanic Real Estate Professionals reported that mortgage applications filed by Hispanics were denied at twice the rate of non-Hispanic White applicants.

One report indicated that 17.9% of Latinos were unbanked and 28.5% were underbanked.

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1 Census Bureau
2 Hispanic Population drives growth in homeownership for a third consecutive year, Report from NAHREP February 2017
3 Center for American Progress, “Millions of Americans Are Outside the Financial System,” October 30, 2014
Capital Plus Financial Portfolio & Financial Overview

Disclaimer: CPF’s audited fiscal year was 12/31 prior to its acquisition by Crossroads Systems, Inc. All results in this section have been restated for a 10/31 FYE for comparative purposes.
CPF’s current mortgage portfolio is $109 million.

CPF’s home buyer/borrower is:
- Hispanic
- Has average monthly income of $5,822;
- Average FICO of those with credit is 692;
- 62% of the portfolio is a first credit transaction
- Average front-end debt to income (“DTI”) is 24%; Back-end DTI is 30%;
  - Qualified Mortgage (“QM”) DTI maximum is 43%
- 30+ day delinquency is 4.1%.

CPF has not experienced losses on foreclosed properties due to the CPF’s ability to resell the REO as new inventory.

* CPF YE was 12/31 and has subsequently changed to 10/31. Figures have been restated as of 10/31 for comparative purposes

* CPF YE was 12/31 and has subsequently changed to 10/31. Figures have been restated as of 10/31 for comparative purposes
Capital Plus Financial Portfolio Performance

30+ Day Delinquency

- FY OCT 2014*: 4.0%
- FY OCT 2015*: 2.8%
- FY OCT 2016*: 2.5%
- FY OCT 2017*: 3.8%
- FY OCT 2018: 4.12%

Foreclosure Rate

- FY OCT 2014*: 3.99%
- FY OCT 2015*: 2.83%
- FY OCT 2016*: 2.13%
- FY OCT 2017*: 2.47%
- FY OCT 2018: 2.20%

* CPF YE was 12/31 and has subsequently changed to 10/31. Figures have been restated as of 10/31 for comparative purposes.
Capital Plus Financial Key Ratios

Revenue & Earnings
(see Exhibit A for details)

- FY 2014*
- FY 2015*
- FY 2016*
- FY 2017*
- FY 2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014*</td>
<td>5,000,000</td>
<td>2.00</td>
</tr>
<tr>
<td>2015*</td>
<td>10,000,000</td>
<td>3.00</td>
</tr>
<tr>
<td>2016*</td>
<td>15,000,000</td>
<td>4.00</td>
</tr>
<tr>
<td>2017*</td>
<td>20,000,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2018**</td>
<td>25,000,000</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Portfolio Leverage
(see Exhibit A for details)

- FY 2014*
- FY 2015*
- FY 2016*
- FY 2017*
- FY 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Leverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014*</td>
<td>3.00</td>
</tr>
<tr>
<td>2015*</td>
<td>4.00</td>
</tr>
<tr>
<td>2016*</td>
<td>5.00</td>
</tr>
<tr>
<td>2017*</td>
<td>2.00</td>
</tr>
<tr>
<td>2018</td>
<td>3.00</td>
</tr>
</tbody>
</table>

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** 2018 figures from 12/19/17-10/31/18
Crossroads Acquisition of Capital Plus Financial

- Crossroads Systems, Inc. (OTCMKTS: CRSS) acquired CPF in December of 2017 for:
  - $30.8M in Cash and 2,955,028 in newly issued shares, which represented 49.5% of the outstanding shares
  - CPF also received 2 board seats and management continued to run the day to day operations
  - CPF’s management team has over 20 years of community development and single family mortgage experience prior to its CDFI certification in 2017.
  - CPF has 30 full time employees and subcontracts over 50 construction workers at any given time.
  - The transaction was accretive to Crossroads as it transitioned from its core Patent Technology business to a financial holding company.

- Crossroads has a $140 million deferred tax asset available for utilization
## Crossroads Ownership & Board Composition

<table>
<thead>
<tr>
<th>Ownership</th>
<th># of Shares*</th>
<th>% Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>210/CRDS Investment LLC</td>
<td>1,492,285</td>
<td>25.0%</td>
</tr>
<tr>
<td>CPF Members</td>
<td>2,955,028</td>
<td>49.5%</td>
</tr>
<tr>
<td>Independent Board Members</td>
<td>182,440</td>
<td>3.0%</td>
</tr>
<tr>
<td>Public float</td>
<td>1,342,241</td>
<td>22.5%</td>
</tr>
<tr>
<td><strong>Total outstanding shares</strong></td>
<td><strong>5,971,994</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* share count is as of October 31, 2018; excludes 5,000 options granted to date

** Bios can be found at www.crossroads.com

### Board Representation**

<table>
<thead>
<tr>
<th>Title/Position</th>
<th>Board Representation**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board and principal of 210/CRDS Investment LLC</td>
<td>Robert Alpert</td>
</tr>
<tr>
<td>CEO of Crossroads Systems, Inc. &amp; CPF</td>
<td>Eric Donnelly</td>
</tr>
<tr>
<td>Independent Board Member</td>
<td>James Perez Foster</td>
</tr>
<tr>
<td>CFO of Crossroads Systems, Inc. &amp; CPF</td>
<td>Farzana Giga</td>
</tr>
<tr>
<td>Independent Board Member</td>
<td>Claire Gogel</td>
</tr>
<tr>
<td>Independent Board Member</td>
<td>Ray Kembel</td>
</tr>
<tr>
<td>Principal of 210/CRDS Investment LLC</td>
<td>Clark C. Webb</td>
</tr>
</tbody>
</table>
Crossroads Investment Summary

- CPF acquisition is transformative to Crossroads
- Management and insiders own 77.5% of the company, aligning interests
- High growth demographic
- Consistent earnings growth and strong balance sheet
- $140 million deferred tax asset available for utilization

www.capitalplusfin.com
Capital Plus Financial
Appendix
A CDFI is a mission-driven financial institution that creates economic opportunity for individuals and small businesses in some of the nation’s most distressed communities.

The CDFI Fund is a part of the United States Treasury Department formed in 1994.
- Most CDFIs are small non-profit organizations to support community development.

The CDFI Fund offers tailored resources and innovative programs that invest federal dollars alongside private sector capital.

The CDFI Fund offers a CDFI Bond Guarantee Program, whereby a qualified issuer is able to issue bonds for a CDFI worth a minimum of $100 million and are 100% guaranteed by the Department of Treasury.

CPF is one of the limited number of single-family lenders with CDFI designation.
- CPF is among the largest CDFIs in the U.S.
- CPF, through its holding company Crossroads Systems, Inc., is the first publicly traded CDFI.
- CDFIs are eligible for Federal Home Loan Bank membership.
The Community Reinvestment Act requires regulators to periodically evaluate how banks meet the financial needs of all members of the communities in which they operate. Evaluation culminates in the issuance of a CRA rating which is important as regulators take into account these ratings when evaluating a regulatory application (i.e. branch or merger applications). Banks are potentially evaluated under both lending and investment CRA test.

- Preferred equity investments in CPF are considered “qualified investments” under the CRA investment test; Investment may be regarded as “innovative” by regulators, providing more favorable CRA assessment.
- Loans to CPF are considered “Community Development Loans” under the CRA lending test.
- As long as at least one of a bank’s assessment areas is in Texas, a bank will receive CRA credit for their relationship with CPF.
- CPF’s relief efforts in Puerto Rico in response to Hurricane Maria are also eligible for CRA credit, even if the bank’s assessment area does not include Texas or Puerto Rico.
CPF is run by a former banker and its Chief Compliance Officer is a former bank compliance officer and bank auditor.

CPF undergoes the following self-imposed audits from a bank auditing firm:

- Annual Fair Lending Exam
- Annual Compliance Audit
- Annual Loan Origination Audit
- Annual Loan Servicing Audit
Thank You

For more information, visit: capitalplusfin.com or www.crossroads.com

Phone: (817) 656-5153    Email: info@capitalplusfin.com    Address: 2247 Central Dr. Bedford, TX 76021

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