

## Crossroads Systems Reports Fiscal Second Quarter 2020 Financial Results

DALLAS, June 11, 2020 /PRNewswire/ -- Crossroads Systems, Inc. (OTCQB: CRSS), a holding company focused on investing in businesses that promote economic vitality and community development, reported financial results for its fiscal second quarter ended April 30, 2020.



The impact of Covid-19 was felt for almost the entire quarter. Given how lean of an operation Capital Plus Financial is, it was immediately able to transition to a remote work environment for its employees and made immediate contact with its borrowers to guide them through the various options to withstand the pandemic, including but not limited to forbearance, counseling for unemployment options and guidance for small business owners.

The company immediately worked with its lenders to provide payment relief in order to deliver relief to its borrowers. Additionally, a PPP loan was quickly secured, and the company remains at full employment. The company expects its PPP loan to be fully forgiven and as borrowers and businesses continue to reopen, the company has seen the velocity of forbearance requests decrease and its portfolio performance is returning to consistent historical levels.

With the pandemic crisis at hand, the company was able to grow its portfolio although at a slightly slower pace. Asset quality continues to remain strong and demand for affordable housing in Texas continues to be robust. With the strength of the Texas economy strong, the company has ample in market room for more growth and impact.

### Fiscal Q2 2020 Financial Highlights

- Total property sales income was \$6.4 million for the quarter amid the Covid-19 shelter in place order for much of the state for the quarter compared to \$7.4 million for the comparative period of 2019
- Total interest income was \$3.0 million up from \$2.9 million from the comparative period of 2019. The mortgage portfolio grew to \$121.4 million from \$110.3 million for the comparative period of 2019
  - The company completed 60-day forbearance agreements for 159 mortgage borrowers totaling \$16 million in unpaid principal balance of the portfolio.
- Operating income of \$1.1 million, down from \$1.4 million for the comparative period of 2019
- Cash EPS (operating income less income to non-controlling interests) was \$0.16 compared to \$0.20 for the comparative period of 2019
- Held 119 properties in inventory compared to 108 at the same time in 2019
- Added \$4.5 million in new single-family mortgages during the quarter
- Book Value as reported of \$49 million or \$8.20 per share. The book value with subordinated debt of \$3.6 million totals \$52.6 million or \$8.81 per share
- Cash balance at April 30, 2020 was \$2.6 million compared to \$904,000 at April 30, 2019

### Fiscal Six Months Ended April 30, 2020 Financial Highlights

- Total property sales income was \$10.6 million for the quarter amid the Covid-19 shelter in place order for much of the state for the quarter compared to \$11.8 million for the comparative period of 2019
- Total interest income was \$6.2 million up from \$5.8 million from the comparative period of 2019. The mortgage portfolio grew to \$121.4 million from \$110.3 million for the comparative period of 2019
- Operating income of \$2.2 million increased from \$2.0 million for the comparative period of 2019
- Cash EPS (operating income less income to non-controlling interests) was \$0.32 compared to \$0.28 for the comparative period of 2019

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "Amid the pandemic, we are pleased with the performance and expected continued growth as the economy opens up in the third quarter. This quarter was almost completely consumed by the Covid-19 Pandemic. We are grateful to our banking partners for accommodating us immediately as we focused on providing relief to our borrowers and acting as a source of calm to so many vulnerable people experiencing the real fear we all felt as this pandemic took hold. We're a public social enterprise and as such, we recognize the responsibility we have to the communities we serve and our incredible shareholders. I'm proud to work with a fantastic team serving such resilient and hardworking borrowers who simply want to work and provide a better life for their families. Our quarter reflects this resilience and strength and efficiency of the businesses."

### About Crossroads Systems

Crossroads Systems, Inc. (OTCQB: CRSS), is a holding company focused on investing in businesses that promote economic vitality and community development. Crossroads' subsidiary, Capital Plus Financial (CPF), is a certified Community Development Financial Institution (CDFI) and certified B- Corp which supports Hispanic homeownership with a long term, fixed rate single family mortgage product.

## Important Cautions Regarding Forward-Looking Statements

This press release includes forward-looking statements that relate to the business and expected future events or future performance of Crossroads Systems, Inc. and Capital Plus Financial and involve known and unknown risks, uncertainties and other factors that may cause its actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," and similar expressions or phrases identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about Crossroads Systems' and Capital Plus Financial's ability to implement their business strategy, and their ability to achieve or maintain profitability. The future performance of Crossroads Systems and Capital Plus Financial may be adversely affected by the following risks and uncertainties: economic changes affecting homeownership in the geographies where Capital Plus Financial conducts business, developments in lending markets that may not align with Capital Plus Financial's expectations and that may affect Capital Plus Financial's plans to grow its portfolio, variations in quarterly results, developments in litigation to which we may be a party, technological change in the industry, future capital requirements, regulatory actions or delays and other factors that may cause actual results to be materially different from those described or anticipated by these forward-looking statements. For a more detailed discussion of these factors and risks, investors should review Crossroads Systems' annual and quarterly reports. Forward-looking statements in this press release are based on management's beliefs and opinions at the time the statements are made. All forward-looking statements are qualified in their entirety by this cautionary statement, and Crossroads Systems undertakes no duty to update this information to reflect future events, information or circumstances.

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### CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>	<b>April 30, 2020</b>	<b>October 31, 2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,568,935	\$ 1,656,114
Restricted cash	1,209,097	2,583,057
Interest receivable	902,849	893,343
Current portion of notes receivable	1,380,352	1,447,842
Current portion of other notes receivable	89,918	339,429
Inventory	11,473,751	11,796,430
Prepaid expenses and other current assets	280,561	351,547
Total current assets	<u>17,905,462</u>	<u>19,067,762</u>
NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	119,609,976	115,278,982
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	5,087,309	6,463,049
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	19,384,372	19,680,324
OTHER NON-CURRENT ASSETS	24,540	36,083
<b>TOTAL ASSETS</b>	<u><u>\$ 180,578,625</u></u>	<u><u>\$ 179,093,166</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 285,035	\$ 289,230
Accrued liabilities	774,686	609,546
Escrow liabilities	800,302	2,646,581
Payroll Protection Program Loan	376,800	-
Current portion of credit facilities	57,877,059	66,167,346
Current portion of other note payable (subordinated)	91,116	179,327
Current portion of acquisition notes payable	831,720	2,495,168
Total current liabilities	<u>61,036,718</u>	<u>72,387,198</u>
CREDIT FACILITIES, net of current maturities	56,170,189	45,608,430
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,335,571	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated)	13,064,858	12,418,163
<b>TOTAL LIABILITIES</b>	<u>131,607,336</u>	<u>131,749,362</u>

## EQUITY

Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	5,972
Additional paid in capital	242,357,162	242,358,843
Accumulated deficit	(211,445,351)	(213,074,517)
Crossroads Systems, Inc. stockholders' equity	30,917,783	29,290,298
Non-controlling interests	18,053,506	18,053,506
TOTAL EQUITY	48,971,289	47,343,804
TOTAL LIABILITIES AND EQUITY	<u>\$ 180,578,625</u>	<u>\$ 179,093,166</u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Three Months Ended		Increase/(Decrease)	
	April 30, 2020	April 30, 2019	\$	%
<b>REVENUES</b>				
Interest income	\$ 3,034,272	2,947,604	\$ 86,668	2.9%
Property sales	6,423,312	7,438,400	(1,015,088)	-13.6%
Other revenue	81,047	66,490	14,557	21.9%
Total revenues	9,538,631	10,452,494	(913,863)	-8.7%
<b>COSTS AND EXPENSES</b>				
Interest expense	1,569,158	1,601,854	(32,696)	-2.0%
Cost of properties sold	5,457,218	6,177,597	(720,379)	-11.7%
General and administrative	481,437	418,887	62,550	14.9%
Salaries and wages	687,361	628,802	58,559	9.3%
Total costs and expenses	8,195,175	8,827,140	(631,965)	-7.2%
Income from operations	1,343,456	1,625,354	(281,897)	-17.3%
<b>OTHER EXPENSES</b>				
Interest expense	(211,876)	(268,989)	57,113	-21.2%
Total other expenses	(211,876)	(268,989)	57,113	-21.2%
Income before income tax provision	1,131,581	1,356,365	(224,785)	-16.6%
<b>INCOME TAX PROVISION</b>	(164,582)	(202,763)	38,181	-18.8%
<b>NET INCOME</b>	966,999	1,153,602	(186,604)	-16.2%
Less: net income attributable to non-controlling interests	(157,068)	(157,548)	480	-0.3%
<b>NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS</b>	<u>\$ 809,931</u>	<u>\$ 996,054</u>	<u>\$ (186,124)</u>	<u>-18.7%</u>
Earnings (loss) per share:				
Cash income attributable to common shareholders	974,513	1,198,817	(224,305)	-18.7%
Weighted average shares outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	<u>\$ 0.16</u>	<u>\$ 0.20</u>	<u>\$ (0.04)</u>	<u>-18.7%</u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Six Months Ended		Increase/(Decrease)	
	April 30, 2020	April 30, 2019	\$	%
<b>REVENUES</b>				
Interest income	\$ 6,214,126	5,796,261	\$ 417,865	7.2%
Property sales	10,603,712	11,753,503	(1,149,791)	-9.8%
Other revenue	365,368	112,094	253,274	225.9%

Total revenues	17,183,206	17,661,859	(478,653)	-2.7%
<b>COSTS AND EXPENSES</b>				
Interest expense	3,084,739	2,992,878	91,861	3.1%
Cost of properties sold	9,127,287	9,855,743	(728,456)	-7.4%
General and administrative	974,053	831,700	142,353	17.1%
Salaries and wages	<u>1,360,825</u>	<u>1,366,285</u>	<u>(5,460)</u>	<u>-0.4%</u>
Total costs and expenses	14,546,903	15,046,605	(499,702)	-3.3%
Income from operations	<u>2,636,303</u>	<u>2,615,254</u>	<u>21,049</u>	<u>0.8%</u>
<b>OTHER EXPENSES</b>				
Interest expense	<u>(395,322)</u>	<u>(569,258)</u>	<u>173,937</u>	<u>-30.6%</u>
Total other expenses	(395,322)	(569,258)	173,937	-30.6%
Income before income tax provision	<u>2,240,981</u>	<u>2,045,995</u>	<u>194,986</u>	<u>9.5%</u>
INCOME TAX PROVISION	(295,952)	(264,489)	(31,463)	11.9%
NET INCOME	<u>1,945,029</u>	<u>1,781,506</u>	<u>163,523</u>	<u>9.2%</u>
Less: net income attributable to non-controlling interests	(315,863)	(346,069)	30,206	-8.7%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 1,629,166</u>	<u>\$ 1,435,438</u>	<u>\$ 193,728</u>	<u>13.5%</u>
Earnings (loss) per share:				
Cash income attributable to common shareholders	1,925,118	1,699,927	225,191	13.2%
Weighted average shares outstanding	<u>5,971,994</u>	<u>5,971,994</u>	<u>-</u>	<u>0.0%</u>
Cash income per share	<u>\$ 0.32</u>	<u>\$ 0.28</u>	<u>\$ 0.04</u>	<u>13.2%</u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>April 30, 2020</u>	<u>April 30, 2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,945,029	1,781,506
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(105,702)	(154,870)
Stock awards in settlement of liabilities	(1,681)	(1,681)
Amortization of deferred financing fees	22,993	11,450
Provision for income taxes	295,952	264,489
Changes in operating assets and liabilities:		
Interest receivable	(9,506)	(274,801)
Notes receivable (Mortgages and other)	(3,914,231)	(7,193,107)
Inventory	322,679	(2,552,772)
Prepays and other assets	70,986	176,455
Accounts payable	(4,195)	418,492
Accrued liabilities	270,841	(301,178)
Escrow liabilities	<u>(1,846,279)</u>	<u>(1,311,358)</u>
Net cash used in operating activities	(2,953,112)	(9,137,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Restricted cash	<u>1,373,960</u>	<u>1,262,657</u>
Net cash used in investing activities	1,373,960	1,262,657
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(315,863)	(294,288)

Paycheck Protection Program loan	376,800	-
Borrowings on credit facilities, net	10,780,490	16,443,780
Principal payments on credit facilities	(8,509,019)	(8,932,001)
Principal payments on other notes payable	(88,211)	(82,297)
Principal payments on acquisition note payable	(1,028,203)	(3,179,849)
Sale of participations in mortgage notes and other receivables	<u>1,275,978</u>	<u>-</u>
Net cash provided by financing activities	2,491,973	6,455,345
Net change in cash and cash equivalents and restricted cash	912,820	(1,419,373)
Cash and cash equivalents and restricted cash at beginning of period	<u>1,656,114</u>	<u>2,323,614</u>
Cash and cash equivalents and restricted cash at end of period	<u>\$ 2,568,934</u>	<u>\$ 904,241</u>

#### SUPPLEMENTAL INFORMATION

Cash paid for interest	<u>\$ 3,221,615</u>	<u>\$ 3,297,477</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET**  
**April 30, 2020**

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 16,061	\$ 2,552,874	\$ -	\$ 2,568,935
Restricted cash	-	1,209,097	-	1,209,097
Interest receivable	-	902,849	-	902,849
Current portion of notes receivable	-	1,380,352	-	1,380,352
Current portion of other notes receivable	-	89,918	-	89,918
Intercompany receivables	3,143,910	20,186,266	(23,330,176)	(0)
Inventory	-	11,473,751	-	11,473,751
Prepaid expenses and other current assets	<u>160,007</u>	<u>120,554</u>	<u>-</u>	<u>280,561</u>
Total current assets	3,319,977	37,915,661	(23,330,176)	17,905,462
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	119,609,976	-	119,609,976
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	0	5,087,309	-	5,087,309
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	19,384,372	-	-	19,384,372
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	-
OTHER NON-CURRENT ASSETS	-	24,540	-	24,540
<b>TOTAL ASSETS</b>	<u>\$ 54,657,490</u>	<u>\$ 162,637,486</u>	<u>\$ (36,716,351)</u>	<u>\$ 180,578,625</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ -	\$ 285,035	\$ -	\$ 285,035
Accrued liabilities	95,636	679,050	-	774,686
Escrow liabilities	-	800,302	-	800,302
Intercompany payables	20,186,266	-	(20,186,266)	(0)
Paycheck Protection Program loan	-	376,800	-	376,800
Current portion of credit facilities	-	68,266,340	(10,389,281)	57,877,059
Current portion of other note payable (subordinated debt)	-	-	91,116	91,116
Current portion of acquisition notes payable	<u>-</u>	<u>-</u>	<u>831,720</u>	<u>831,720</u>
Total current liabilities	20,281,902	70,407,527	(29,652,711)	61,036,718
CREDIT FACILITIES, net of current maturities	-	45,780,908	10,389,281	56,170,189
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,426,687	(91,116)	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M)	13,896,578	-	(831,720)	13,064,858

subordinated debt)				
TOTAL LIABILITIES	34,178,480	117,615,122	(20,186,266)	131,607,336
EQUITY				
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	-	-	5,972
Additional paid in capital	242,361,362	-	(2,519)	242,358,843
Accumulated earnings (deficit)	(221,888,324)	26,968,858	(16,527,566)	(211,447,033)
Crossroads Systems, Inc. stockholders' equity	20,479,010	26,968,858	(16,530,085)	30,917,783
Non-controlling interests	-	18,053,506	-	18,053,506
TOTAL EQUITY	20,479,010	45,022,364	(16,530,085)	48,971,289
TOTAL LIABILITIES AND EQUITY	\$ 54,657,490	\$ 162,637,486	\$ (36,716,351)	\$ 180,578,624

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Quarter Ended April 30, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Interest income	\$ -	\$ 3,034,272	\$ -	\$ 3,034,272
Property sales	-	6,423,312	-	6,423,312
Other revenue	-	81,047	-	81,047
Total revenues	-	9,538,631	-	9,538,631
COSTS AND EXPENSES				
Interest expense	-	1,569,158	-	1,569,158
Cost of properties sold	-	5,457,218	-	5,457,218
General and administrative	54,899	426,538	-	481,437
Salaries and wages	-	687,361	-	687,361
Total costs and expenses	54,899	8,140,275	-	8,195,175
Income (loss) from operations	(54,899)	1,398,356	-	1,343,456
OTHER EXPENSES				
Interest expense	(211,876)	-	-	(211,876)
Total other expenses	(211,876)	-	-	(211,876)
Income (loss) before income tax provision	(266,775)	1,398,356	-	1,131,581
INCOME TAX PROVISION	(164,582)	-	-	(164,582)
NET INCOME (LOSS)	(431,357)	1,398,356	-	966,999
Less: net income attributable to non-controlling interests	-	(157,068)	-	(157,068)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ (431,357)	\$ 1,241,288	\$ -	\$ 809,931

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Six Months Ended April 30, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Interest income	\$ -	\$ 6,214,126	\$ -	\$ 6,214,126
Property sales	-	10,603,712	-	10,603,712
Other revenue	-	365,368	-	365,368
Total revenues	-	17,183,206	-	17,183,206

COSTS AND EXPENSES

Interest expense	-	3,084,739	-	3,084,739
Cost of properties sold	-	9,127,287	-	9,127,287
General and administrative	140,714	833,338	-	974,053
Salaries and wages	-	1,360,825	-	1,360,825
Total costs and expenses	140,714	14,406,189	-	14,546,903

Income (loss) from operations	(140,714)	2,777,017	-	2,636,303
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OTHER EXPENSES

Interest expense	(395,322)	-	-	(395,322)
Total other expenses	(395,322)	-	-	(395,322)

Income (loss) before income tax provision	(536,036)	2,777,017	-	2,240,981
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INCOME TAX PROVISION	(295,952)	-	-	(295,952)
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NET INCOME (LOSS)	(831,988)	2,777,017	-	1,945,029
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Less: net income attributable to non-controlling interests	-	(315,863)	-	(315,863)
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NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	(831,988)	2,461,154	-	1,629,166
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**Fiscal Second Quarter  
Shareholder Report for  
the Three Months Ended  
April 30, 2020**

**Crossroads Systems, Inc.**

**Delaware**                                 **74-284664**  
(State of Incorporation)             (IRS Employer Identification No.)

**8214 Westchester Drive  
Suite 950  
Dallas, TX 75225**  
(Address of principal executive office)

**(214) 999-0149**  
(Company's telephone number)

**Common Stock  
\$0.001 Par Value  
Trading Symbol: CRSS  
Trading Market: OTCQB**

**75,000,000 Common Shares Authorized**

**5,971,994 Shares Issued and Outstanding as of April 30, 2020**

Dear Shareholder:

We hope this letter finds you, your families, and coworkers safe and healthy. We are happy to report that all our employees are doing well and are healthy. Our quarter was almost entirely spent dealing with the pending impact of Covid-19 or the immediate fallout to our borrowers and business from the economic closure in Texas. Capital Plus is a very efficient and lean organization, therefore quickly pivoting to a remote work environment was, fortunately, an easy transition. And because financial services and residential construction were deemed essential businesses, we were able to ensure that our housing renovation projects continued and that we were fully operational to be there for our borrowers who had never experienced anything as we've seen over the last few months.

Before we comment on sales and collections during the quarter, we would like to recognize the unwavering support of our bank partners and by extension the coordination and support from the banking regulators, Federal Reserve, and Department of Treasury. Without their coordinated support of the banking system, the fallout from the pandemic would have been catastrophic. As a CDFI on the frontlines of dealing with some of the most vulnerable communities, the instant support of our bankers was critical in our ability to deliver forbearance to our most impacted borrowers. We were also able to quickly assist our borrowers with technical assistance on various programs being made available to consumers and small businesses. We are quite fortunate that our borrowers are very lowly leveraged, fiscally conservative, and extremely resilient. The main industry to which they are exposed is construction which, again, was deemed an essential service. This is not to say that our portfolio was not impacted but the levels of forbearance and delinquency, as compared to other consumer portfolios, were manageable. The feedback, much like we received during Hurricane Harvey, was that our borrowers want to work and pay their bills. Most of our forbearance requests have been from those people who were exposed to industries completely shut down such as retail, restaurant, or hospitality. As of April 30<sup>th</sup>, Capital Plus has granted forbearance requests to approximately 13% of the portfolio. These deferred payments will be placed at the end of the note so as not to financially stress our

borrowers. Most borrowers have chosen 60-day forbearance as they desire to begin normal repayment as soon as the economy reopened, and they were permitted to work. We continue to communicate with all our borrowers on their particular circumstances to help them get through this challenging time. While no one can predict the duration of the virus, we are seeing a return to normalcy in the Texas economy and the portfolio performance reflects that.

On the home sales front, the impact on sales this quarter was understandably significant given that the pandemic hit us at the beginning of what is normally our busiest home-selling season. We experienced an instant pause in sales of homes and many buyers requested to be released from their home purchase contracts. Our initial assumption was that the monumental decision of buying a first home would be put on hold given the uncertainty around the pandemic and economic closure. We saw a smattering of homes sold during March and mid-April but since then the velocity of homes contracts and closed transactions has reached normal levels for this time of year. We have been thoughtful about the number of homes we are putting into the pipeline to stay nimble and work through the inventory we have, but the current momentum and regional data on residential housing are quite encouraging. Fortunately, we ended the quarter on an upswing and our expectations of sales have been tremendously exceeded. We look forward to a late but robust sales season as we enter the third and fourth quarters.

We are working through our 2020 CDFI Bond Guarantee Program (BGP) Application with the CDFI Fund. We, like the entire CDFI community, are monitoring the pending stimulus bills in Washington which may provide additional capital to CDFIs. Given that the BPG dollars were available before Covid, we hope that the Treasury will process our updated application quickly and approve the much-needed funds. In the current environment where CDFIs are looking for stimulus, an existing program with dollars already appropriated is a golden opportunity to provide tremendous impact to CDFIs and their well-deserving borrowers.

During the quarter, we were also approved as a Paycheck Protection Program (PPP) lender and have helped small businesses in our region and our Latino business community across the country access this long term, low-interest rate funding. We stand ready to assist any small businesses that might need more funds in the future through extended PPP availability. We thank the SBA and administrator Carranza for her support of CDFIs and Latino Entrepreneurs.

While Covid has caused some delay in processing our acquisition of First State Bank, we are in constant communication with the current leadership of the bank and are monitoring the performance of their portfolio and conducting pandemic shock analysis on the target bank. We remain excited about the opportunity to create a CDFI Bank and Minority Depository Institution in North Texas and how accretive it will be to our shareholders in this low funding cost environment and how impactful it will be to so many potential unbanked and underbanked customers.

And finally, our quarter exceeded our pandemic forecasts and expectations. CPF's outstanding mortgage loan portfolio balance at the end of the quarter was \$126.3 million which included \$4.9 million in its other higher-value residential mortgages. For the second quarter, CPF generated \$3.0 million in interest income and \$6.4 million in sales from the sale of properties in low to moderate-income census tracts. The consolidated operating income for the quarter was approximately \$1.1 million before income attributable to non-controlling interests of \$157,000 and accruing for a non-cash tax provision of \$165,000. Note the Company offsets its tax provision against its deferred tax asset of \$19.5M. The net income after the provision and before income attributable to non-controlling interest was \$967,000 compared to \$1.2 million for the same period of 2019. At April 30, 2020, CPF's unadjusted leverage was 2.50x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses was 1.78x

We hope the worst is behind us, but our investors can rest assured that as a very well capitalized and financially supported social enterprise, we will overcome the challenges ahead. Insiders, management, and the board own over 75% of the company, and our interests are completely aligned with our shareholders. We thank you for continuing this journey with us and we look forward to playing our role in the American Recovery.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly