



Crossroads Systems Reports Fiscal Third Quarter 2020 Financial Results

DALLAS, Texas, September 3, 2020 – Crossroads Systems, Inc. (OTCQB: CRSS) (“Crossroads” or the “Company”), a holding company focused on investing in businesses that promote economic vitality and community development, reported financial results for its fiscal third quarter ended July 31, 2020.

Company Commentary

Despite the headwinds experienced early in the quarter as a result of the ongoing COVID-19 pandemic, Crossroads continued to drive profitable growth during the period and saw its mortgage portfolio largely stabilize and return to historical performance levels. Aided by the State of Texas’ staggered reopening process, the Company recorded a substantial decrease in the number and velocity of forbearance requests, leading to a return to pre-pandemic performance levels and portending an improved finish to the fiscal year barring major changes.

After a condensed period of restructuring operations and building sufficient liquidity to withstand any potential COVID-related impacts, the Company is now refocusing efforts on its longer-term growth plans. To that end, Crossroads acquired a portfolio of 32 properties to add to its existing inventory through quarter end.

The current work-from-home environment and uncertain global economic outlook have exacerbated the rising demand for affordable housing solutions, a need that Capital Plus Financial is uniquely situated to meet. The Company expects to see continued demand through traditionally slow cycles, i.e. the fall and winter, based on the momentum in its markets witnessed to-date through the summer. Crossroads has seen positive initial sales momentum during the fiscal fourth quarter and is looking to build inventory to not only meet demand but also plan for renovated housing products to be ready for the spring 2021 sales season.

Fiscal Third Quarter 2020 Financial Highlights

- Total property sales income was \$7.1 million for the quarter compared to \$7.0 million for the same period in 2019. Despite an initial impact on sales volume related to the COVID-19 pandemic, the affordable market has been resilient, and the Company expects continued strong demand during the fiscal fourth quarter.

- Total interest income was \$3.1 million, up from \$3.0 million in the comparative 2019 period. The Company's mortgage portfolio grew to \$126.0 million from \$113.7 million for the comparative period in 2019.
 - During the quarter, the Company completed 60-day forbearance agreements for 73 mortgage borrowers, resulting in \$7.5 million in unpaid principal balance on the portfolio and an impact to interest income of approximately \$202,000. Total forbearance agreements for fiscal 2020 reached 232 at quarter-end, totaling \$23.5 million in unpaid balance. During the fiscal third quarter, there was a significant, sequential decline in the number and velocity of requests. Our borrowers who had requested forbearance are now starting to make their regular payments as they had prior to the COVID-19 pandemic.
- Operating income was \$1.3 million compared to \$1.3 million in the same period in 2019.
- Cash EPS (operating income less income to non-controlling interests) was \$0.19 compared to \$0.20 for the comparative period in 2019.
- Held 119 properties in inventory compared to 137 at the same point in 2019. The acquisition of new properties was delayed temporarily due to COVID-19, but the Company expects volumes to rise sharply over the next quarter; the Company acquired a pool of 32 properties during the period.
- Added \$6.7 million in new single-family mortgages during the quarter.
- Book value as reported was \$50.0 million, or \$8.37 per share. Adjusted book value with \$3.5 million of subordinated debt totaled \$53.5 million, or \$8.96 per share.
- As of July 31, 2020, the Company held a cash balance of \$2.1 million compared to \$834,000 as of July 31, 2019.

Fiscal Nine Months Ended July 31, 2020 Financial Highlights

- Total property sales income was \$17.7 million for the nine months ended July 31, 2020 compared to \$18.7 million for the same period in 2019. The decrease in sales volume during the period was a result of impacts related to the ongoing COVID-19 pandemic.
- Total interest income was \$9.3 million, up from \$8.8 million in the comparative period in 2019.

- Operating income was \$3.5 million, up from \$3.4 million in the comparative period in 2019.
- Cash EPS (operating income less income to non-controlling interests) was \$0.51, which was an increase compared to \$0.49 during the same period in 2019.

Management Commentary

“The proactive approach we took with our bank partners and our immediate response to build liquidity at the onset of the pandemic provided operational stability for our fiscal third quarter as we carefully monitored the gradual reopening in Texas,” said Eric A. Donnelly, Chief Executive Officer of Crossroads Systems. “After an initial spike in forbearance requests during the prior quarter, we have seen an encouraging abatement in recent months as many of our borrowers are regaining financial stability and making on-time mortgage payments. Given the current pandemic backdrop, our portfolio performance has been highly encouraging. Furthermore, the demand for single-family housing in Texas is seemingly stronger than it was pre-COVID. Put together, even amid great uncertainty, we have effectively mitigated our portfolio risk and are well-positioned to generate sustainable growth over a long-term time horizon. At the same time, we remain committed to providing open and accessible financing to a traditionally underserved market. The struggle that communities across the nation face right now is immense, and CDFIs, like Capital Plus Financial, are on the front lines serving the most vulnerable.”

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 SHEETS
(In thousands, except per share data)

ASSETS	July 31, 2020	October 31, 2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,077,895	\$ 1,656,114
Restricted cash	2,015,445	2,583,057
Interest receivable	893,162	893,343
Current portion of notes receivable	1,380,352	1,447,842
Current portion of other notes receivable	89,918	339,429
Inventory	10,944,242	11,796,430
Prepaid expenses and other current assets	324,389	351,547
Total current assets	17,725,403	19,067,762
NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	123,778,130	115,278,982
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	2,773,083	6,463,049
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	19,231,926	19,680,324
OTHER NON-CURRENT ASSETS	24,540	36,083
TOTAL ASSETS	\$ 182,100,048	\$ 179,093,166
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 360,161	\$ 289,230
Accrued liabilities	490,399	609,546
Escrow liabilities	1,773,857	2,646,581
Payroll Protection Program Loan	376,800	-
Current portion of credit facilities	43,002,267	66,167,346
Current portion of other note payable (subordinated)	45,927	179,327
Current portion of acquisition notes payable	623,791	2,495,168
Total current liabilities	46,673,202	72,387,198
CREDIT FACILITIES, net of current maturities	71,019,747	45,608,430
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,335,572	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated)	13,076,306	12,418,163
OTHER LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	132,104,827	131,749,362
EQUITY		
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	6,172	5,972
Additional paid in capital	242,401,139	242,358,843
Accumulated deficit	(210,465,595)	(213,074,517)
Crossroads Systems, Inc. stockholders' equity	31,941,715	29,290,298
Non-controlling interests	18,053,506	18,053,506
TOTAL EQUITY	49,995,221	47,343,804
TOTAL LIABILITIES AND EQUITY	\$ 182,100,048	\$ 179,093,166

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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	For the Three Months Ended		Increase/(Decrease)	
	July 31, 2020	July 31, 2019	\$	%
REVENUES				
Interest income	\$ 3,125,498	3,029,581	\$ 95,917	3.2%
Property sales	7,132,600	6,966,000	166,600	2.4%
Other revenue	12,881	232,902	(220,021)	-94.5%
Total revenues	10,270,979	10,228,483	42,496	0.4%
COSTS AND EXPENSES				
Interest expense	1,271,583	1,622,559	(350,976)	-21.6%
Cost of properties sold	6,298,319	5,745,208	553,111	9.6%
General and administrative	513,128	574,035	(60,907)	-10.6%
Salaries and wages	743,053	703,004	40,049	5.7%
Total costs and expenses	8,826,083	8,644,806	181,277	2.1%
Income from operations	1,444,896	1,583,677	(138,781)	-8.8%
OTHER EXPENSES				
Interest expense	(155,626)	(255,018)	99,392	-39.0%
Total other expenses	(155,626)	(255,018)	99,392	-39.0%
Income before income tax provision	1,289,270	1,328,659	(39,389)	-3.0%
INCOME TAX PROVISION	(152,446)	(139,041)	(13,405)	9.6%
NET INCOME	1,136,824	1,189,618	(52,794)	-4.4%
Less: net income attributable to non-controlling interests	(157,068)	(108,538)	(48,530)	44.7%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ 979,756	\$ 1,081,080	\$ (101,324)	-9.4%
Earnings (loss) per share:				
Cash income attributable to common shareholders	1,132,202	1,220,121	(87,919)	-7.2%
Weighted average shares outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	\$ 0.19	\$ 0.20	\$ (0.01)	-7.2%

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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	For the Nine Months Ended		Increase/(Decrease)	
	July 31, 2020	July 31, 2019	\$	%
REVENUES				
Interest income	\$ 9,339,624	8,825,841	\$ 513,783	5.8%
Property sales	17,736,312	18,719,503	(983,191)	-5.3%
Other revenue	378,249	344,996	33,253	9.6%
Total revenues	27,454,185	27,890,340	(436,155)	-1.6%
COSTS AND EXPENSES				
Interest expense	4,356,322	4,615,437	(259,115)	-5.6%
Cost of properties sold	15,425,606	15,600,951	(175,345)	-1.1%
General and administrative	1,487,181	1,405,735	81,446	5.8%
Salaries and wages	2,103,878	2,069,288	34,590	1.7%
Total costs and expenses	23,372,987	23,691,411	(318,424)	-1.3%
Income from operations	4,081,198	4,198,929	(117,731)	-2.8%
OTHER EXPENSES				
Interest expense	(550,947)	(824,277)	273,330	-33.2%
Total other expenses	(550,947)	(824,277)	273,330	-33.2%
Income before income tax provision	3,530,251	3,374,652	155,599	4.6%
INCOME TAX PROVISION	(448,398)	(403,530)	(44,868)	11.1%
NET INCOME	3,081,853	2,971,122	110,731	3.7%
Less: net income attributable to non-controlling interests	(472,931)	(454,606)	(18,325)	4.0%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ 2,608,922	\$ 2,516,516	\$ 92,406	3.7%
Earnings (loss) per share:				
Cash income attributable to common shareholders	3,057,320	2,920,046	137,274	4.7%
Weighted average shares outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	\$ 0.51	\$ 0.49	\$ 0.02	4.7%

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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(except per share data)

	<u>July 31,</u> <u>2020</u>	<u>July 31,</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,081,853	2,971,123
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	42,496	(1,681)
Amortization of deferred financing fees	22,993	11,450
Provision for income taxes	448,398	-
Changes in operating assets and liabilities:		
Interest receivable	181	(108,291)
Notes receivable (Mortgages and other)	(5,292,267)	(11,386,426)
Inventory	852,188	(4,183,488)
Prepays and other assets	27,158	216,359
Accounts payable	70,931	579,339
Accrued liabilities	(13,445)	(342,629)
Escrow liabilities	(872,724)	(729,254)
Net cash used in operating activities	(1,737,940)	(13,128,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	567,612	800,153
Net cash used in investing activities	567,612	800,153
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(472,931)	(454,606)
Paycheck Protection Program loan	376,800	-
Borrowings on credit facilities, net	19,157,858	27,250,586
Principal payments on credit facilities	(16,911,620)	(14,529,320)
Principal payments on other notes payable	(133,399)	(124,650)
Principal payments on acquisition note payable	(1,224,684)	(3,803,641)
Sale of participations in mortgage notes and other receivables	800,086	-
Net cash provided by financing activities	1,592,109	10,838,369
Net change in cash and cash equivalents and restricted cash	421,781	(1,489,846)
Cash and cash equivalents and restricted cash at beginning of period	1,656,114	2,323,614
Cash and cash equivalents and restricted cash at end of period	<u>\$ 2,077,895</u>	<u>\$ 833,768</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 5,087,850</u>	<u>\$ 5,175,055</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
FOR THE PERIOD ENDED JULY 31, 2020

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,201	\$ 2,060,694	\$ -	2,077,895.00
Restricted cash	-	2,015,445	-	2,015,445.00
Interest receivable	-	893,162	-	893,162.00
Current portion of notes receivable	-	1,380,352	-	1,380,352.00
Current portion of other notes receivable	-	89,918	-	89,918.00
Intercompany receivables	3,143,910	20,693,266	(23,837,176)	-
Inventory	-	10,944,242	-	10,944,242.00
Prepaid expenses and other current assets	144,730	179,659	-	324,389.00
Total current assets	3,305,841	38,256,738	(23,837,176)	17,725,403.00
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	123,778,130	-	123,778,130.00
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	2,773,083	-	2,773,083.00
GOODWILL	18,566,966	-	-	18,566,966.00
DEFERRED TAX ASSET	19,231,926	-	-	19,231,926.00
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	-
OTHER NON-CURRENT ASSETS	-	24,540	-	24,540.00
TOTAL ASSETS	\$ 54,490,908	\$ 164,832,491	\$ (37,223,351)	182,100,048.00
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 360,161	\$ -	360,161.00
Accrued liabilities	39,912	450,487	-	490,399.00
Escrow liabilities	-	1,773,857	-	1,773,857.00
Intercompany payables	20,693,266	-	(20,693,266)	-
Paycheck Protection Program loan	-	376,800	-	376,800.00
Current portion of credit facilities	-	43,002,267	-	43,002,267.00
Current portion of other note payable (subordinated debt)	-	-	45,927	45,927.00
Current portion of acquisition notes payable	-	-	623,791	623,791.00
Total current liabilities	20,733,178	45,963,572	(20,023,548)	46,673,202.00
CREDIT FACILITIES, net of current maturities	-	71,019,747	-	71,019,747.00
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,381,498	(45,927)	1,335,571.00
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M sub maturities (includes \$2.2M subordinated debt))	13,700,097	-	(623,791)	13,076,306.00
TOTAL LIABILITIES	34,433,275	118,364,817	(20,693,266)	132,104,826.00
EQUITY				
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	6,172	-	-	6,172.00
Additional paid in capital	242,401,139	-	-	242,401,139.00
Accumulated earnings (deficit)	(222,349,678)	28,414,168	(16,530,085)	(210,465,595.00)
Crossroads Systems, Inc. stockholders' equity	20,057,633	28,414,168	(16,530,085)	31,941,716.00
Non-controlling interests	-	18,053,506	-	18,053,506.00
TOTAL EQUITY	20,057,633	46,467,674	(16,530,085)	49,995,222.00
TOTAL LIABILITIES AND EQUITY	\$ 54,490,908	\$ 164,832,491	\$ (37,223,351)	182,100,048.00

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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED JULY 31, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 3,125,498	\$ 3,125,498
Property sales	-	7,132,600	7,132,600
Other revenue	-	12,881	12,881
Total revenues	-	10,270,979	10,270,979
COSTS AND EXPENSES			
Interest expense	-	1,271,583	1,271,583
Cost of properties sold	-	6,298,319	6,298,319
General and administrative	113,305	399,823	513,128
Salaries and wages	44,177	698,876	743,053
Total costs and expenses	157,482	8,668,601	8,826,083
Income (loss) from operations	(157,482)	1,602,378	1,444,896
OTHER EXPENSES			
Interest expense	(155,626)	-	(155,626)
Total other expenses	(155,626)	-	(155,626)
Income (loss) before income tax provision	(313,108)	1,602,378	1,289,270
INCOME TAX PROVISION	(152,446)	-	(152,446)
NET INCOME (LOSS)	(465,554)	1,602,378	1,136,824
Less: net income attributable to non-controlling interests	-	(157,068)	(157,068)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ (465,554)</u>	<u>\$ 1,445,310</u>	<u>\$ 979,756</u>

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

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED JULY 31, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 9,339,624	\$ 9,339,624
Property sales	-	17,736,312	17,736,312
Other revenue	-	378,249	378,249
Total revenues	-	27,454,185	27,454,185
COSTS AND EXPENSES			
Interest expense	-	4,356,322	4,356,322
Cost of properties sold	-	15,425,606	15,425,606
General and administrative	254,020	1,233,161	1,487,181
Salaries and wages	44,177	2,059,701	2,103,878
Total costs and expenses	298,197	23,074,790	23,372,987
Income (loss) from operations	(298,197)	4,379,395	4,081,198
OTHER EXPENSES			
Interest expense	(550,947)	-	(550,947)
Total other expenses	(550,947)	-	(550,947)
Income (loss) before income tax provision	(849,144)	4,379,395	3,530,251
INCOME TAX PROVISION	(448,398)	-	(448,398)
NET INCOME (LOSS)	(1,297,542)	4,379,395	3,081,853
Less: net income attributable to non-controlling interests	-	(472,931)	(472,931)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>(1,297,542)</u>	<u>3,906,464</u>	<u>2,608,922</u>

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

**Fiscal Third Quarter
Shareholder Report for
the Three Months Ended
July 31, 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 July 31, 2020

Dear Shareholder:

We trust that this letter finds you and your families safe and healthy. Our office was not immune from the outbreak in Texas this quarter and, unfortunately, we had a small number of employees who tested positive for the virus. Thankfully, all those infected were quick to recover. Additionally, as a result of our rapid transition to a remote work environment at the onset of COVID as well as our proactive office deep cleaning, we were able to mitigate any potential risk of spreading.

We remain in daily contact with our customers and are assisting them with their needs as the virus continues to disrupt the lives of so many of our fellow citizens. The good news is that we are neither seeing any alarming trends in delinquencies nor anecdotal evidence of high unemployment from our borrowers. Unlike the Great Recession, during which housing and construction were severely impacted, the Texas housing economy and construction industry—which far and away accounts for most of the jobs our borrowers have—is quite healthy. Between developers who can't find enough land, builders clamoring for more developed lots to meet their housing demand, or companies like ours looking for housing to purchase for resale, the supply lines are tight. The only negative in this regard is the inflation to inputs – the cost of housing before rehab, material, and labor costs. While the easy answer is to pass this cost on the consumer, we, as a social enterprise, must always be mindful of our mission and the communities we serve, striking a balance between affordability and the profitability needed to sustain that side of the business.

During the quarter, we continued to build sufficient liquidity to withstand the disruption from COVID and reap the benefits of interest rates cuts on our debt costs. Though we've been able to temporarily absorb the increases in the costs of delivering homes to our communities, we are shifting our focus to stabilizing our margins by reducing miscellaneous spending and mitigating risks where possible. To that end, we were able to purchase a pool of single-family homes at quarter-end at 60% of appraised value. We are also looking for additional pools to increase inventory levels and prepare for the upcoming increase in demand that we tend to see during the Spring season.

Moving out of the macroeconomic uncertainty that clouded our fiscal second quarter, we have been encouraged by the sales inquiries throughout our markets for our affordable homes. On a personal level, buying a home is a monumental decision to make, especially during uncertain times, and we've been amazed by the increased sales activity with each passing month, especially given the historically low sales volumes seen in Texas summers.

Heading into the end of the fiscal year, we feel very protected and supported by both our liquidity and capital position. While our deferral of income during the pandemic stabilized our borrowers, this decision also resulted in a direct hit to our bottom line. Nonetheless, it was the right thing to do for our borrowers, which we believe will also contribute to the long-term trust, growth, and ultimate success of our Company. To have been there to

support our incredible borrowers through this unprecedented time is a testament to the strength of CDFIs like ours, and we are proud to stay true to our mission.

Finalizing the acquisition of First State Bank continues to be one of our top priorities. Just last week, we announced a joint venture with BrightFi, an innovative FinTech solutions provider whose mission of serving the unbanked and underbanked aligns perfectly with our vision for Capital Plus. Our collaboration with BrightFi will help us quickly bring the best to our customers – beginning with attainable financing and now through low-cost, reliable, digital banking. The BrightFi platform will also help reduce our operating costs at a time when that is a critical factor for all banks. Rarely do missions meld so well and even more rarely do executive teams see the world as similarly as we do. We are excited about the partnership and look forward to presenting the rollout as the platform is built over the coming months.

Once again, our quarter exceeded our conservative pandemic-adjusted forecasts and expectations. CPF's outstanding mortgage loan portfolio balance at the end of the quarter was \$128.0 million, which included \$2.0 million in its other higher-value residential mortgages. For the third quarter, CPF generated \$3.1 million in interest income and \$7.1 million in sales from the sale of properties in low to moderate-income census tracts. The consolidated operating income for the quarter was approximately \$1.3 million before income attributable to non-controlling interests of \$157,000 and accruing for a non-cash tax provision of \$152,000. The Company measures the business operations on a cash earnings basis and offsets its tax provision against its deferred tax asset of \$19.5 million. The Company doesn't expect to pay income taxes in the short run. The net income after the provision and before income attributable to non-controlling interest was \$980,000 compared to \$1.1 million for the same period of 2019. At July 31, 2020, CPF's unadjusted leverage was 2.44x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses, was 1.78x.

The current trends in national housing starts, tight inventory supplies, and mortgage generation give us great optimism for the future, but we are remaining vigilant for potential disruptions, ensuring that we're positioned for continued long-term, profitable growth. We are proud of our borrowers and know that our team is capable of withstanding whatever comes our way.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly