



Crossroads Systems Reports Fiscal Fourth Quarter and Fiscal Year 2020 Financial Results

DALLAS, Texas, December 14, 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 fourth quarter and year ended October 31, 2020.

Fiscal Fourth Quarter and Fiscal Year 2020 Key Performance Indicators (KPIs)

- Added \$5.5 million in new single-family mortgages during the fiscal fourth quarter and \$21.7 million during the fiscal year 2020.
- The Company’s mortgage portfolio grew to \$128.9 million from \$116.9 million for the comparative period in 2019.
- The serious delinquency rate as of the period ended October 31, 2020 was 0.9%, compared to 0.9% at the end of the same period in 2019. The Federal Home Loan Mortgage Corporation (Freddie Mac) reported a single-family serious delinquency rate of 2.9% as of the period ended October 31, 2020. The serious delinquency rate is based on the number of mortgage loans that are three monthly payments or more past due or in the process of foreclosure.
- Held 109 properties in inventory compared to 128 at the same time in 2019. As of October 31, 2020, gross inventory was \$10.5 million compared to \$11.8 million as of October 31, 2019. The Company is looking to build inventory to not only meet current demand but also to plan for renovated housing units to be ready for the spring 2021 sales season. The Company expects the upcoming spring demand for housing to be in line with historical periods compared to the COVID disrupted Spring in 2020.

Fiscal Fourth Quarter 2020 Financial Highlights

- Total property sales income was \$5.7 million for the quarter compared to \$6.6 million for the same period in 2019. The decrease in property sales income for the quarter was the result of lower unit sales related to the COVID-19 pandemic, which was offset by higher sales prices during the quarter.
- Total interest income was \$3.3 million, up from \$3.2 million in the comparative 2019 period. The increase in interest income was the result of growth in the total mortgage note receivable portfolio during the period. During the quarter, the Company completed

60-day forbearance agreements for 2 mortgage borrowers whose unpaid principal balance was \$190,197. During the fiscal fourth quarter, there was a significant, sequential decline in the number and velocity of requests. Borrowers who had requested forbearance earlier in the year have begun to make their regular payments as they had prior to the COVID-19 pandemic.

- Operating income was \$1.6 million compared to \$1.2 million in the same period in 2019.
- Cash EPS (operating income less income to non-controlling interests) was \$0.22 compared to \$0.14 for the comparative period in 2019. The Company booked \$929,000 of state and federal income tax expense, which will be offset against the Company's deferred tax asset. The adjusted cash EPS after adjusting for one-time transaction costs and stock option compensation of \$261K was \$0.27.
- Book value as reported was \$50.5 million, or \$8.45 per share. Adjusted book value including \$3.5 million of subordinated debt totaled \$54.0 million, or \$9.04 per share.
- As of October 31, 2020, the Company held a cash balance of \$2.1 million compared to \$1.7 million as of October 31, 2019.

Fiscal Year 2020 Financial Highlights

- Total property sales income was \$23.5 million for the fiscal year ended October 31, 2020 compared to \$25.3 million for the same period in 2019. The decrease in gross sales was the result of lower unit sales during the pandemic, which was offset by higher sales prices for the fiscal year.
- Total interest income was \$12.6 million, up from \$12.0 million in the comparative period in 2019. The increase in interest income was the result of growth in the total mortgage note receivable portfolio in the period. During the fiscal year, the Company completed 60-day forbearance agreements for 234 mortgage borrowers, accounting for \$23.5 million in unpaid principal balance on the portfolio and an impact to interest income of approximately \$412,000.
- Operating income was \$5.8 million, up from \$5.5 million in the comparative period in 2019.
- Cash EPS (operating income less income to non-controlling interests) was \$0.74, which was an increase compared to \$0.63 during the same period in 2019. The Company booked \$1.4 million of state and federal income tax expense, which will be offset against the

Company's deferred tax asset. The adjusted cash EPS after adjusting for one-time transaction costs and stock option compensation of \$503K was \$0.82.

Management Commentary

“During the fiscal fourth quarter, we continued to make incremental progress in returning our portfolio to historical performance levels despite a challenging pandemic backdrop,” said Eric A. Donnelly, Chief Executive Officer of Crossroads Systems. “With the state of Texas’ firm economic reopening initiatives, our borrowers have been able to return to work with confidence, resulting in a material decrease in forbearance requests during the period and leading to strong cash earnings performance throughout the year. The one silver lining to the pandemic has been a validation of our alternative approach to underwriting. Across our overall borrower base, we’ve maintained less than a 3% default rate, proving that our first-time borrowers are more than qualified, conservative with their money, and have shown great solvency in the face of adversity. While traditional credit methods exclude those with a lack of credit history, that should not, and does not, have a comparable impact on many borrowers’ true creditworthiness.

“Looking ahead to the new fiscal year, we are cautiously optimistic about a return to loan and portfolio growth. The macroeconomic backdrop of the single-family home market remains strong both in Texas and throughout the U.S. With a favorable bank rate environment expected to continue for the foreseeable future, we’ll look to augment our reliable interest income performance with improved property sales as we enter the 2021 season. By maintaining conservative leverage and maximizing operational efficiencies from procurement to sale, we can continue to drive stable year-on-year growth on the top and bottom-line over the long term while continuing to provide a positive social impact to our communities throughout the state.”

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	October 31, 2020	October 31, 2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,127,059	\$ 1,656,114
Restricted cash	3,004,051	2,583,057
Interest receivable	930,871	893,343
Current portion of notes receivable	1,527,234	1,447,842
Current portion of other notes receivable	7,014	339,429
Inventory	10,544,236	11,796,430
Prepaid expenses and other current assets	411,645	351,547
Total current assets	18,552,110	19,067,762
NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	126,897,360	115,278,982
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	1,583,761	6,463,049
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	18,300,334	19,680,324
OTHER NON-CURRENT ASSETS	-	36,083
TOTAL ASSETS	\$ 183,900,531	\$ 179,093,166
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 222,610	\$ 289,230
Accrued liabilities	353,901	609,546
Escrow liabilities	2,886,249	2,646,581
Payroll Protection Program Loan	376,800	-
Current portion of credit facilities	52,705,640	66,167,346
Current portion of other note payable (subordinated)	191,337	179,327
Current portion of acquisition notes payable	2,495,172	2,495,168
Total current liabilities	59,231,709	72,387,198
CREDIT FACILITIES, net of current maturities	62,470,640	45,608,430
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,144,235	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated)	10,582,769	12,418,163
OTHER LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	133,429,353	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	242,471,411	242,358,843
Accumulated deficit	(210,059,912)	(213,074,517)
Crossroads Systems, Inc. stockholders' equity	32,417,672	29,290,298
Non-controlling interests	18,053,506	18,053,506
TOTAL EQUITY	50,471,178	47,343,804
TOTAL LIABILITIES AND EQUITY	\$ 183,900,531	\$ 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 Twelve Months Ended	
	October 31,	October 31,
	2020	2019
REVENUES		
Interest income	\$ 12,633,818	\$ 11,986,113
Property sales	23,461,898	25,330,557
Other revenue	538,876	387,264
Total revenues	36,634,592	37,703,935
COSTS AND EXPENSES		
Interest expense	5,712,138	6,343,947
Cost of properties sold	20,297,457	21,138,085
General and administrative	2,027,976	1,962,626
Salaries and wages	2,839,113	2,788,032
Total costs and expenses	30,876,684	32,232,690
Income from operations	5,757,908	5,471,245
OTHER EXPENSES		
Interest expense	(734,005)	(1,110,230)
Total other expenses	(734,005)	(1,110,230)
Income before income tax provision	5,023,903	4,361,015
INCOME TAX PROVISION	(1,377,572)	(1,990,988)
NET INCOME	3,646,331	2,370,027
Less: net income attributable to non-controlling interests	(631,726)	(617,582)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ 3,014,605	\$ 1,752,445
Earnings (loss) per share:		
Cash income attributable to common shareholders	4,392,177	3,743,433
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	\$ 0.74	\$ 0.63

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	
	October 31,	October 31,
	2020	2019
REVENUES		
Interest income	\$ 3,294,195	3,160,107
Property sales	5,725,586	6,611,054
Other revenue	160,627	42,433
Total revenues	9,180,408	9,813,594
COSTS AND EXPENSES		
Interest expense	1,343,316	1,682,942
Cost of properties sold	4,871,987	5,547,809
General and administrative	589,191	665,678
Salaries and wages	733,555	690,675
Total costs and expenses	7,538,049	8,587,105
Income from operations	1,642,359	1,226,489
OTHER EXPENSES		
Interest expense	(148,707)	(240,126)
Total other expenses	(148,707)	(240,126)
Income before income tax provision	1,493,652	986,363
INCOME TAX PROVISION	(929,174)	(1,587,459)
NET INCOME	564,478	(601,096)
Less: net income attributable to non-controlling interests	(158,795)	(155,546)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 405,683</u>	<u>\$ (756,642)</u>
Earnings (loss) per share:		
Cash income attributable to common shareholders	1,334,857	830,817
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	<u>\$ 0.22</u>	<u>\$ 0.14</u>

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>October 31,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,646,331	3,987,299
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(105,702)	225,620
Stock awards in settlement of liabilities	112,768	(1,681)
Amortization of deferred financing fees	47,533	-
Provision for income taxes	1,379,990	-
Changes in operating assets and liabilities:		
Interest receivable	(37,528)	(160,706)
Notes receivable (Mortgages and other)	(7,286,153)	(14,662,839)
Inventory	1,252,194	(4,308,159)
Prepays and other assets	(60,100)	(12,863)
Accounts payable	(66,620)	697,848
Accrued liabilities	(149,943)	(276,849)
Escrow liabilities	239,668	119,233
Net cash used in operating activities	<u>(1,027,561)</u>	<u>(14,393,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	(420,994)	(41,127)
Net cash used in investing activities	<u>(420,994)</u>	<u>(41,127)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(631,726)	(663,658)
Paycheck Protection Program loan	376,800	-
Borrowings on credit facilities, net	36,701,455	16,593,569
Principal payments on credit facilities	(33,300,951)	-
Principal payments on other notes payable	(179,326)	(167,695)
Principal payments on acquisition note payable	(1,846,840)	(4,415,983)
Sale of participations in mortgage notes and other receivables	800,086	-
Net cash provided by financing activities	<u>1,919,498</u>	<u>13,846,234</u>
Net change in cash and cash equivalents and restricted cash	470,943	(587,989)
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>\$ 2,127,057</u>	<u>\$ 1,735,625</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 6,613,755</u>	<u>\$ 7,169,428</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 OCTOBER 31, 2020

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 20,649	\$ 2,106,410	\$ -	\$ 2,127,059
Restricted cash	-	3,004,051	-	3,004,051
Interest receivable	-	930,871	-	930,871
Current portion of notes receivable	-	1,527,234	-	1,527,234
Current portion of other notes receivable	-	7,014	-	7,014
Intercompany receivables	3,143,910	21,553,266	(24,697,176)	-
Inventory	-	10,544,236	-	10,544,236
Prepaid expenses and other current assets	147,392	264,253	-	411,645
Total current assets	3,311,951	39,937,335	(24,697,176)	18,552,110
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	126,897,360	-	126,897,360
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	1,583,761	-	1,583,761
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	18,300,334	-	-	18,300,334
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	-
OTHER NON-CURRENT ASSETS	-	-	-	-
TOTAL ASSETS	\$ 53,565,426	\$ 168,418,456	\$ (38,083,351)	\$ 183,900,531
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 222,610	\$ -	\$ 222,610
Accrued liabilities	40,444	313,460	-	353,904
Escrow liabilities	-	2,886,249	-	2,886,249
Intercompany payables	21,553,266	-	(21,553,266)	-
Paycheck Protection Program loan	-	376,800	-	376,800
Current portion of credit facilities	-	52,705,640	-	52,705,640
Current portion of other note payable (subordinated debt)	-	-	191,337	191,337
Current portion of acquisition notes payable	-	-	2,495,172	2,495,172
Total current liabilities	21,593,710	56,504,759	(18,866,757)	59,231,712
CREDIT FACILITIES, net of current maturities	-	62,470,640	-	62,470,640
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,335,571	(191,337)	1,144,234
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M sub maturities (includes \$2.2M subordinated debt)	13,077,941	-	(2,495,172)	10,582,769
TOTAL LIABILITIES	34,671,651	120,310,970	(21,553,266)	133,429,355
EQUITY				
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	6,172	-	-	6,172
Additional paid in capital	242,473,090	-	-	242,473,090
Accumulated earnings (deficit)	(223,585,487)	30,053,980	(16,530,085)	(210,061,592)
Crossroads Systems, Inc. stockholders' equity	18,893,775	30,053,980	(16,530,085)	32,417,670
Non-controlling interests	-	18,053,506	-	18,053,506
TOTAL EQUITY	18,893,775	48,107,486	(16,530,085)	50,471,176
TOTAL LIABILITIES AND EQUITY	\$ 53,565,426	\$ 168,418,456	\$ (38,083,351)	\$ 183,900,531

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

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

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 12,633,818	\$ 12,633,818
Property sales	-	23,461,898	23,461,898
Other revenue	-	538,876	538,876
Total revenues	-	36,634,592	36,634,592
COSTS AND EXPENSES			
Interest expense	-	5,712,138	5,712,138
Cost of properties sold	-	20,297,457	20,297,457
General and administrative	305,646	1,722,330	2,027,976
Salaries and wages	114,449	2,724,664	2,839,113
Total costs and expenses	420,095	30,456,589	30,876,684
Income (loss) from operations	(420,095)	6,178,003	5,757,908
OTHER EXPENSES			
Interest expense	(734,005)	-	(734,005)
Total other expenses	(734,005)	-	(734,005)
Income (loss) before income tax provision	(1,154,100)	6,178,003	5,023,903
INCOME TAX PROVISION	(1,377,572)	-	(1,377,572)
NET INCOME (LOSS)	(2,531,671)	6,178,003	3,646,331
Less: net income attributable to non-controlling interests	-	(631,726)	(631,726)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>(2,531,671)</u>	<u>5,546,277</u>	<u>3,014,605</u>

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 OCTOBER 31, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 3,294,195	\$ 3,294,195
Property sales	-	5,725,586	5,725,586
Other revenue	-	160,627	160,627
Total revenues	-	9,180,408	9,180,408
COSTS AND EXPENSES			
Interest expense	-	1,343,316	1,343,316
Cost of properties sold	-	4,871,987	4,871,987
General and administrative	87,657	501,534	589,191
Salaries and wages	68,592	664,963	733,555
Total costs and expenses	156,248	7,381,801	7,538,049
Income (loss) from operations	(156,248)	1,798,607	1,642,359
OTHER EXPENSES			
Interest expense	(148,707)	-	(148,707)
Total other expenses	(148,707)	-	(148,707)
Income (loss) before income tax provision	(304,956)	1,798,607	1,493,652
INCOME TAX PROVISION	(929,174)	-	(929,174)
NET INCOME (LOSS)	(1,234,129)	1,798,607	564,478
Less: net income attributable to non-controlling interests	-	(158,795)	(158,795)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ (1,234,129)</u>	<u>\$ 1,639,813</u>	<u>\$ 405,683</u>

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

**Shareholder Report for
the Fourth Quarter & Fiscal Year Ended
October 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 October 31, 2020

Dear Fellow Shareholder:

As we wrap up our third fiscal year since the Crossroads and Capital Plus Financial (CPF) business combination, we find ourselves a much stronger and unified organization despite

the unique and challenging environment being experienced by the rest of the world. Our teams are still largely working remotely, and we've been fortunate to not have any material exposures to the virus throughout our workforce.

We have been highly encouraged by the resiliency among our borrowers despite the ongoing pandemic. The State of Texas' commitment to getting citizens safely back to work has allowed many within the housing and construction industry to return to work confidently, which has led to a material decrease in the level of forbearance requests as well as an improvement in payment schedules. We have also experienced the additional positive impact of operating at nearly full potential in securing new inventory and facilitating new transactions for families looking for more permanent places of residence. The single-family market in Texas is incredibly tight which bodes well for our homes for sale but can pose challenges to procuring inventory.

As a social enterprise, we've placed a great deal of trust in our borrowers. For many of these families, the purchase of a home through CPF is their first credit transaction of any kind. While most conventional banking and financing institutions perceive this lack of credit history as a liability, we view it as an opportunity—which has been clearly evidenced by our superior portfolio performance over time. At the end of the fiscal year, the Federal Home Loan Mortgage Corporation (Freddie Mac) reported a single-family delinquency rate of 2.89% whereas our borrowers collectively represent a delinquency rate of only 0.9%. The delinquency rate is based on the number of mortgage loans that are three monthly payments or more past due or in the process of foreclosure. Although the court system has temporarily delayed the processing of foreclosures because of the pandemic, this period's delinquency rate is in line with last period's rate of 0.9%. It is important to recognize that our borrower's credit standing is purely out of insufficient history vs. poor performance. Our process of alternative, socially conscious underwriting has enabled a previously ignored segment of the population to access the same housing products and services that other populations have had ready access to for decades, and they are performing better and more reliably than traditional borrowers during these uncertain times.

Evidence suggests that our borrowers are taking conservative leverage positions in-line with a responsible fiscal management approach. For qualified mortgage (QM) underwriters like CPF, we require borrowers to maintain debt-to-income (DTI) ratios below 43%. The average DTI ratio in our portfolio, however, is only 24%. The conservative leveraging that our borrowers employ provides us with further comfort in knowing that they can afford mortgage payments and continue to pay on time. In the unfortunate event that it becomes necessary, we have equipped ourselves to be able to rapidly turn around inventory to mitigate perceived risks around delinquency and foreclosure. As a vertically integrated company that purchases, renovates, resells, and finances homes, we are capable of quickly reabsorbing properties into the rehab and resale cycles, typically in 60 to 95 days. This capability reduces our portfolio risk.

The current bank rate environment has been favorable to us, which we expect to contribute to an increase in demand for single-family homes in the coming years. This dynamic serves both us and our borrowers well. We expect more families, especially those in the communities that CPF serves, to take advantage of the favorable rates available to them as we enter the Spring 2021 season, which is historically characterized by increased sales volume.

In preparation for this higher sales activity, during the fourth quarter, we purchased land in McAllen, TX located in the Rio Grande Valley that we intend to develop into approximately 48 single-family homes. While this purchase is somewhat of a departure from our normal operating activities, we believe the demand for these homes will prove to make this investment a prescient one. In spearheading the development process on our own, we're able to design homes to meet the unique needs of our borrowers while also having more control over the supply chain. Given our deep knowledge of development, construction, and real estate management, we are confident in our ability to execute this exciting opportunity. We believe this new approach can significantly enhance our margins and encourage a greater number of prospective homeowners to make purchases.

Throughout this year, we have been impressed by the reliable growth of our mortgage portfolio as well as the significant improvements that we have made in key profitability metrics. At the end of the fiscal year, our mortgage loan portfolio balance totaled \$128.9 million and generated \$12.6 million in interest income. For the fiscal fourth quarter, CPF generated \$3.3 million in interest income and added \$5.5 million in new mortgages. Cash income attributable to common shareholders for the fiscal fourth quarter was \$1.3 million, up 55% from \$831,000 in the same period last year. For the fiscal year, CPF generated \$12.6 million in interest income and added \$21.7 million in new mortgages. Cash income attributable to common shareholders for the fiscal year was \$4.4 million, resulting in a cash income per share of \$0.74. It is important to note that these figures include several one-time operating expenses due to our pending acquisition of Rice Bancshares (RBI). Adjusting for these expenses, our profitability metrics are even stronger, resulting in an adjusted EPS of \$.82.

On RBI, we are continuing to make progress on consummating a transaction soon and are optimistic about getting a deal done in the new year subject to regulatory approvals. There are many reasons why RBI represents an exciting addition to the Crossroads family. First of all, we expect the transaction to provide immediate earnings accretion to our shareholders. We also benefit from a sizable 300 basis point reduction in the cost of capital, which will prove even more valuable as we continue adding to our inventory for the coming Spring season. This cost of funds index is currently 50 basis points and yields on deposits are closer to 10 to 15 bps but for conservative modeling, we are assuming 300 bps in savings to our current trailing 6 month cost of funds rate of 4.66% and full impact on new loan production. Additionally, we see operational cost savings and non-interest income

expansion opportunities for the bank. While the process can be long and arduous, the timeline is still where we anticipated it to be and we look forward to providing an update on this and other opportunities.

Looking ahead, we are cautiously optimistic about a return to loan and portfolio growth. While many indicators are pointing towards positive results for a potential vaccine and subsequent nationwide rollout, we are continuing to focus on what is within our control and remaining prudent concerning employee safety and our finances. The macroeconomic backdrop of the single-family home market remains strong both in Texas and throughout the U.S., which bodes well for the long term. We are eager to continue working with our existing borrowers as well as prospective homebuyers next year and are grateful to work with an incredibly passionate and resilient group of families who constantly validate our mission.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly