

## NEWS BULLETIN

FROM:



RE: **ECC Capital Corporation**  
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**OTC: ECRO.PK**

For Further Information:

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### **ECC Capital Corporation Business Update**

CORONA DEL MAR, Calif., June 16, 2020 – ECC Capital Corporation (OTC: ECRO.PK) is a specialty finance and asset management company that currently manages a portfolio of residential mortgage related assets and, through its subsidiaries, originates business purpose loans and operates a residential real estate brokerage and property manager, while also seeking other investment opportunities.

In 2019, ECC Capital made several decisions regarding its business while continuing to manage its various loan portfolios, operations and investments. During the period, the company also evaluated several potential transactions. In connection with these potential transactions, ECC Capital engaged an audit firm to audit its operations and financial statements for 2018 and 2019. To date, none of those discussions or potential transactions have developed into a definitive agreement.

Management continues to explore a variety of business opportunities and alternatives available to ECC Capital, which include, but are not limited to:

- A sale of certain assets.
- Investment in business opportunities.
- Partnering and/or joint venturing to reduce cost or increase revenue.
- Purchase of discounted or distressed assets such as loans, financial instruments or real estate owned properties.
- Recapitalization of the company.
- A sale of the company or subsidiary company.

## **Management Update**

The coronavirus disease 2019 (“COVID-19”) has resulted in transactional declines in the residential real estate industry including rental property management and mortgage financings and continuation of the crisis could have an adverse effect on ECC Capital’s profitability, financial condition and results of operations. Management will continue to evaluate the pandemic and any impacts to ECC Capital.

On April 1, 2019, ECC Capital hired Kevin Cloyd as Co-President to manage operations and head its capital markets effort. Mr. Cloyd’s efforts have focused on a wide array of opportunities, including raising capital to maintain or build existing operations, acquire new businesses, acquire, or sell assets and review our current corporate structure.

On November 30, 2019 Roque Santi resigned his position from ECC Capital as its President and CFO. Mr. Cloyd took over Mr. Santi’s responsibilities as President and CFO in addition to maintaining his capital markets duties.

In 2019, ECC Capital established the 2019 Restricted Stock Plan (the “Plan”), which authorized the issuance of up to 9,750,000 shares of restricted stock. On December 27, 2019, the Board of Directors of ECC Capital (the “Board”) authorized the issuance of 9,450,000 shares of restricted stock under the Plan to directors and executive officers, which shares vested 25% on the date of the grant and will vest in 25% increments at the end of each six month period thereafter. The purpose of the Plan is to advance the best interests of ECC Capital by enhancing its ability to attract and retain members of the Board and management. The Plan is intended to provide equity ownership opportunities to better align the interests of members of the Board and management with ECC Capital’s stockholders.

## **Financial Reporting**

Included herewith are the Consolidated Financial Statements and Independent Auditor’s Report of ECC Capital Corporation and its subsidiary entities as of and for the years ended December 31, 2018 and December 31, 2019.

## **Change of REIT Status**

As previously disclosed on ECC Capital’s website, the company completed a corporate restructuring that allowed ECC to terminate its status as a REIT effective January 1, 2020. As a result, beginning in 2020, ECC Capital will forgo the tax advantages of operating as a REIT. However, the company maintains a significant amount of net operating loss carryforwards to offset future taxable income. As part of the restructuring, the company formed a subsidiary that elected REIT status in 2019 and will hold any applicable assets required to be owned by a REIT, which, as disclosed on ECC Capital’s website on December 30, 2019, means that the ownership and transfer restrictions set forth in Article X of the charter of the company became effective as of January 1, 2020.

## **Quotation on the Pink Sheets and Stock Ownership Limitation**

ECC Capital's common stock is currently quoted on the Pink Sheets under the symbol "ECRO.PK." However, ECC Capital does not control whether its stock is quoted on the Pink Sheets and therefore cannot guarantee there will be a market to trade the common stock. Further, ECC Capital does not anticipate applying for listing on any stock exchange or quotation on any electronic trading system in the near future. Since January 7, 2008, ECC Capital's charter has prohibited stockholders, other than persons for whom an ownership limit waiver exists, which includes Steve Holder, from owning more than 2.5% of its common stock. The Amendment and Restatement maintained the ownership limitation at 2.5% of its common stock. The prior and current Charter has other restrictions on ownership and transfer which should be reviewed. Shareholders whose ownership percentage of ECC Capital's common stock exceeded the reduced ownership limit on January 6, 2008, but was less than or equal to the existing 5.6% ownership limit in effect prior to January 6, 2008, were grandfathered and, therefore, permitted to continue owning ECC Capital's stock at their ownership percentage as of January 6, 2008. However, if those shareholders subsequently reduced or reduce their ownership percentage of ECC Capital's common stock, their maximum ownership limit will be reduced accordingly until their limit is equal to the 2.5% common stock ownership limit. Currently, there are 106,523,300 shares of ECC Capital common stock outstanding.

The information contained in this release is not meant to be an indication that ECC Capital will make similar information available in the future, and ECC Capital does not undertake any obligation to, nor does it give any assurance that it will, provide timely periodic disclosures or any future public disclosure.