

June 9, 2020



FTE Networks Provides Shareholder Update

NEW YORK, June 09, 2020 (GLOBE NEWSWIRE) -- FTE Networks, Inc. (FTNW) ("FTE" or the "Company"), today issued a shareholder update. The full text of the letter from interim CEO Michael P. Beys follows.

Dear Shareholders:

My last shareholder update was sent on February 27, 2020 to advise on the Company's efforts to preserve its listing on the NYSE American stock exchange, to file and become current on all reports required by the Securities and Exchange Commission (the "SEC"), and to secure additional funding. In my role as interim CEO, I remain committed to achieving these goals, returning value to shareholders, and continuing to improve corporate governance for the Company. The full text of that letter is [here](#). I now write to update you on the status of our efforts and other developments.

Today, our subsidiary US Home Rentals (USHR) is a major owner and operator of a portfolio of 3,184 rental home properties across the United States. We are actively managing this residential real estate portfolio, which brings long-term net asset value to FTE shareholders. Through this acquisition, USHR has taken a big step toward becoming a leading provider of affordable housing in tier 3 and tier 4 markets nationwide. USHR's strategy is to renovate and upgrade its current residential home portfolio, which was acquired at the end of December, and to segment the portfolio into single-family rentals and fix/flip class assets. We plan to acquire additional portfolios and to build a leading single-family rentals operator that is targeted to middle income renters and home buyers.

Update on Impact of Covid-19 Global Pandemic

On behalf of our team at FTE Networks and US Home Rentals, we hope that you, your family and friends are all safe and healthy. This pandemic has had tragic consequences and triggered a recession with unemployment levels that none of us have ever experienced in our careers.

We have evaluated and are continuing to evaluate the evolving economic impact of the pandemic on our customers and the risk factors to our residential home portfolio. My team and I analyzed possible varying levels of slow- or non-payment of rents by tenants. I am cautiously optimistic; at the time of this writing, we are seeing higher levels of compliance and payment from renters than we anticipated. Overall an average 11% reduction in collections of rental revenues on a sequential monthly basis (March-April 2020 compared to January-February 2020) has occurred since the start of COVID-19. Our customers have prioritized paying their rent even in states where evictions have been suspended. Furthermore, the single family home rentals (SFR) segment, on a relative basis, has performed better than other real estate sectors and has benefited from the federal

government's stimulus efforts. Rental homes benefit from being an essential part of our customers' lives in a world where they are required to "shelter in place" – a necessary bill to pay in stark contrast to those industries which have experienced complete shutdowns, such as airlines, restaurants, and hotels.

Update on Operations and Financing

During this challenging economic period, we have chosen to focus internally on improving operations and lowering our cost structure. Integration of the residential home portfolio acquisition by USHR has been a top priority in the first two quarters and there is still much work to do. I am working closely with the team at FTE and USHR on improving services, governance, and operations. We have taken the following actions:

- Reduced staff and optimized and restructured internal workflows.
- Streamlined collections procedures to incorporate outbound dialing services and enhanced self-payment options for the existing customer base.
- Triaged the home portfolio to identify unprofitable and low-potential assets and designate them for sale disposition.

We are pursuing multiple paths to raise capital but continue to face significant cash shortfalls in funding operations. The dislocation around the COVID-19 pandemic has impacted the credit markets and made these financing efforts more challenging. The Company is negotiating payment plans and forbearances with its major lenders, including the promissory notes due to the Vision Sellers. Financing is a critical ingredient for us to execute on our growth strategy and we have made some initial progress. The Company received net proceeds of \$1.7 million in a convertible note financing with GS Capital Partners LLC on March 10, 2020. We also received \$0.9 million in financing under the Payroll Protection Program as part of the CARES Act, the federal government's COVID-19 disaster relief program. However, the Company requires substantial additional financing to fund its strategy of upgrading the current homes portfolio and acquiring new portfolios. FTE has been working with our investment banking partners to raise additional debt and equity capital and is reviewing initial term sheet proposals.

Update on NYSE American Delisting

As disclosed in our prior filings, FTE was the victim of fraudulent acts perpetrated by previous management. The Company has spent the past 18 months investigating and taking corrective action to build a new management team and a new board of directors supported by best-in-class advisors. We are making every effort to bring the Company back to health and to restore value and liquidity to our shareholders.

Over the past 6 months, I have been working with our finance team to complete the restatement of our past financial reports. On May 11, 2020, we filed our annual report on Form 10-K for the fiscal year ended December 31, 2018, which provided restated audited financials for 2017 and 2018. Despite these important steps toward the Company's goal of regaining listing compliance, the NYSE American denied our first appeal to remain on its exchange in February and our second appeal in May. On May 21, 2020, the NYSE American staff filed a Form 25 with the SEC to formally remove the Company's common stock from listing on the NYSE American exchange.

Previously we stated that our goal was to be listed on an exchange in 2020; that remains our goal. Our listing will initially be on the OTC Markets and we plan to seek a place on the OTCQX marketplace. We continue to work diligently on this goal and are evaluating all options.

Before we resume trading in our common stock, we will need to complete the updating of our financial statements. We believe we are on track to file outstanding SEC filings by Q3 2020, including our annual report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Form 10-K") and quarterly reports for 2020, which will be our first reports in which USHR is our primary business. After filing our 2019 Form 10-K, we plan to issue the shares which were committed as consideration for the Vision transaction. As previously disclosed, we plan to direct a portion of these shares to a trust for the benefit of the shareholders of the First Capital REIT ("FCREIT") and we look forward to welcoming these shareholders as new FTE shareholders. For the avoidance of doubt, these shares will be issued to the FCREIT shareholders in addition to their FCREIT shares and not in exchange for their FCREIT shares. As stated previously, FTE is not and will not be entering, in any respect, into a business combination with FCREIT.

Update on Legal Proceedings

As previously disclosed in Item 3. *Legal Proceedings* of the Company's Form 10-K for the year ended December 31, 2018, the Company has been involved in arbitration proceedings with St. George Investments LLC, related to a convertible note that was issued in 2018 by prior management without requisite Board approval. On June 4, 2020, the Company learned that the arbitrator, following a hearing on St. George's motion for partial summary judgment, granted St. George's motion and requested relief of approximately \$2.7 million.

The arbitration award has not yet been entered; however, the Company strongly believes that the arbitrator's decision is inconsistent with the underlying facts and applicable law and is working closely with counsel to determine and evaluate all available options.

[Link to all recent filings](#)

Update on Governance

As I have noted to shareholders previously, I bring expertise in real estate development, corporate governance and law to my role as the Company's interim CEO. In addition, I run my own law firm and have served as a former federal prosecutor. Building upon that experience I continue to take critical strides to improve the Company's governance and controls.

I implemented governance changes, including but not limited to:

- Improving FTE's and USHR's relationships with lenders;
- Instituting twice-monthly board meetings for the foreseeable future;
- Accelerating the finalization of financial statements;
- Enhancing internal controls, including tightening processes for share issuance and formalizing checks and balances.

As noted in my previous letters, even with the current pandemic, we remain optimistic on the

market outlook for affordable single-family home rentals (SFR), specifically in underserved areas. US Home Rentals' portfolio of nearly 3,200 homes, largely concentrated in these underserved areas, represents a distinct advantage and an opportunity to improve the renter's experience while simultaneously growing the Company's value as the premier provider of affordable housing in tier 3 and tier 4 markets nationwide.

In closing, FTE's Board of Directors and I are committed to returning value to shareholders and to continual improvement in governance, management and controls at FTE Networks. We appreciate the support and patience of all of the Company's stakeholders, as well as your interest in what lies ahead. We will continue to share pertinent information as we work towards improving our business operations and promoting sustainable growth in our revenues and profitability, all with the ultimate goal of creating value for FTE shareholders.

Sincerely,

Michael P. Beys

Interim CEO

Forward Looking Statements

This letter may contain "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plan," "believe," "will," "intends," "expects," "anticipate" and may include statements regarding matters that involve known or unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to differ materially from results expressed or implied by this release. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and market trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. These risk factors and others are included from time to time in documents we file with the Securities and Exchange Commission, including but not limited to, our Form 10-Ks, Form 10-Qs and Form 8-Ks. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Accordingly, you should not place undue reliance on these forward-looking statements. Any forward-looking statement made by us in this letter is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

About FTE Networks, Inc.

FTE Networks, Inc. ("FTE") through its subsidiary US Home Rentals, owns, operates and invests in affordable rental housing in tier 3 and 4 markets. Single family home rentals (SFR) is large, growing and attractive market. Nationally, home rentals are growing faster than home ownership. With a portfolio of 3,184 affordable rental homes across the United States, FTE is one of the few companies that has a strong and established portfolio of assets for the

affordable rental housing market.

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