



## **Crossroads Systems Reports Fiscal Second Quarter 2018 Financial Results and Change in Auditor**

**DALLAS, Texas, June 8, 2018** – Crossroads Systems, Inc. (OTC Pink: 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, 2018.

The company also announced today that it has changed auditors from PMB Helin Donovan to Montgomery Coscia Greilich effective today. This decision was taken to streamline expenses following the December 2017 acquisition of Capital Plus Financial.

### **Fiscal Q2 2018 Financial Results**

Revenue for the fiscal second quarter of 2018 was \$9.9 million and gross profit was \$3.3 million or 33 percent of revenue. Property sales income for the quarter was \$7.4 million or 74 percent of total revenues. Interest income was \$2.4 million or 25 percent of revenue. Fiscal second quarter results included \$422,000 of one-time expenses, of which \$333,000 were related to the wind down of the Crossroads legacy business. Fiscal second quarter net income was \$1.23 million or \$0.21 income per share.

At April 30, 2018, cash and cash equivalents totaled \$2.2 million.

### **Management Commentary**

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "Capital Plus Financial continues to positively impact its communities while building shareholder value. We expect to have Crossroads' legacy business expenses fully eliminated by fiscal year end."

### **About Crossroads Systems**

Crossroads Systems, Inc. (OTC Pink: 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**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Thousands)

	<u>April 30,</u> <u>2018</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,226
Restricted Cash	595
Accounts receivable, net	1,858
Current portion of mortgage notes receivable	955
Inventories	5,381
Prepays and other current assets	325
Total current assets	<u>11,340</u>
Mortgage Notes Receivable	97,058
Goodwill	5,033
Other assets	782
Total assets	<u><u>\$ 114,214</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current liabilities:	
Accounts payable	\$ 169
Accrued expenses	620
Escrow liabilities	846
Current portion of senior secured credit facilities	45,239
Total current liabilities	<u>46,874</u>
Senior secured credit facilities, net	37,764
Acquisition debt, net	18,952
Total liabilities	<u>103,590</u>
Stockholders' equity	<u>10,624</u>
Total liabilities and stockholders' equity	<u><u>\$ 114,214</u></u>

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In Thousands)

	<b>For the three months ended April 30, 2018</b>	<b>For the six months ended April 30, 2018</b>
Revenue:		
Interest income	\$ 2,426	\$ 3,636
Property sales	7,357	9,385
Other revenue	122	163
Total revenue	9,905	13,184
Cost of revenue:		
Interest expense	979	1,303
Cost of properties sold	5,627	7,240
Other cost of revenue	-	3
Total cost of revenue	6,606	8,547
Gross profit	3,299	4,637
Operating expenses:		
General and administrative	820	1,563
Salaries and wages	924	1,702
Total operating expenses	1,744	3,265
Income (loss) from operations	1,555	1,371
Other income (expense):		
Interest (expense) income	(323)	(487)
State income tax expense	-	-
Net Income (loss)	\$ 1,232	\$ 885

**CROSSROADS SYSTEMS, INC.**Supplemental Schedule - Unaudited Consolidated Balance Sheet  
As of April 30, 2018

	Unaudited Crossroads April 30, 2018	Unaudited CPF April 30, 2018	Unaudited Elimination Entries April 30, 2018	Unaudited Crossroads Consolidated April 30, 2018
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	38,597	2,179,399	8,013	2,226,008
Restricted cash	-	595,217	-	595,217
Accounts receivable, net	1,199,960	657,944	-	1,857,904
Inventories	-	5,381,064	-	5,381,064
Intercompany receivable	3,143,910	10,541,693	(13,685,603)	(0)
Prepays and other current assets	258,273	7,844	-	266,118
Earnest money deposits	-	58,890	-	58,890
Mortgage notes receivable	-	98,013,499	-	98,013,499
<b>Total current assets</b>	<b>4,640,740</b>	<b>117,435,550</b>	<b>(13,677,590)</b>	<b>108,398,700</b>
Property and equipment, net	-	24,540	-	24,540
Investment in subsidiaries	26,919,888	-	(26,919,888)	-
Goodwill	5,033,253	-	-	5,033,253
Other assets	246,644	510,732	-	757,377
Total assets	<b>\$ 36,840,525</b>	<b>\$ 117,970,823</b>	<b>\$ (40,597,478)</b>	<b>\$ 114,213,870</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	76,329	92,652	-	168,981
Accrued and other current liabilities	329,715	240,110	-	569,825
Escrow liabilities	-	845,550	-	845,550
Due to subsidiaries	10,541,693	-	(10,541,693)	(0)
Revolving line of credit, inventory	-	5,027,653	-	5,027,653
Revolving line of credit, mortgage notes (current maturities)	-	40,211,290	-	40,211,290
Payroll liabilities	-	50,588	-	50,588
<b>Total current liabilities</b>	<b>10,947,737</b>	<b>46,467,843</b>	<b>(10,541,693)</b>	<b>46,873,886</b>
Senior secured term notes (long-term)	-	37,763,524	-	37,763,524
Acquisition debt (long-term)	18,952,381	-	-	18,952,381
<b>Total liabilities</b>	<b>29,900,118</b>	<b>84,231,367</b>	<b>(10,541,693)</b>	<b>103,589,791</b>
Stockholders' equity:				
Total participating payables	-	158,156	-	158,156
Total preferred equity investment	-	15,240,089	-	15,240,089
Total subordinated debt	2,200,000	1,763,005	-	3,963,005
Members equity in CPF	-	13,594,075	-	13,594,075
Common stock	5,881	-	-	5,881
Additional paid-in capital	242,309,739	-	(26,885,638)	215,424,101
(Accumulated deficit)/Retained Earnings	(235,477,298)	-	(3,170,147)	(238,647,445)
Current year net (loss) income	(2,097,915)	2,984,131	-	886,215
Total stockholders' equity (deficit)	<b>6,940,407</b>	<b>33,739,456</b>	<b>(30,055,785)</b>	<b>10,624,078</b>
Total liabilities and stockholders' equity (deficit)	<b>\$ 36,840,525</b>	<b>\$ 117,970,823</b>	<b>\$ (40,597,478)</b>	<b>\$ 114,213,870</b>

**CROSSROADS SYSTEMS, INC.**

Supplemental Schedule - Unaudited Consolidated Income Statement

For the Six Months Ended April 30, 2018

	<b>Unaudited Crossroads April 30, 2018</b>	<b>Unaudited CPF April 30, 2018</b>	<b>Unaudited Crossroads Consolidated April 30, 2018</b>
Revenue:			
Interest income	\$ -	\$ 3,636,005	\$ 3,636,005
Property sales	-	9,385,484	9,385,484
Other revenue	12,082	150,482	162,564
Total revenue	12,082	13,171,971	13,184,053
Cost of revenue:			
Interest expense	-	1,303,475	1,303,475
Cost of properties sold	-	7,240,336	7,240,336
Other cost of revenue	3,430	-	3,430
Total cost of revenue	3,430	8,543,811	8,547,242
Gross Profit	8,651	4,628,160	4,636,811
Operating expenses:			
General and administrative	883,058	679,872	1,562,930
Salaries and wages	736,673	965,797	1,702,470
Total operating expenses	1,619,731	1,645,669	3,265,399
Income (Loss) from operations	(1,611,080)	2,982,491	1,371,412
Other income (expense):			
Interest (expense) income	(486,836)	-	(486,836)
State income tax expense	-	-	-
Net Income (Loss)	\$ (2,097,915)	\$ 2,982,491	\$ 884,576

**CROSSROADS SYSTEMS, INC.**

Supplemental Schedule - Unaudited Consolidated Income Statement

For the Quarter Ended April 30, 2018

	Unaudited Crossroads April 30, 2018	Unaudited CPF April 30, 2018	Unaudited Crossroads Consolidated April 30, 2018
Revenue:			
Interest income	\$ -	\$ 2,425,670	\$ 2,425,670
Property sales	-	7,356,600	7,356,600
Other revenue	-	122,278	122,278
Total revenue	-	9,904,548	9,904,548
Cost of revenue:			
Interest expense	-	979,219	979,219
Cost of properties sold	-	5,626,652	5,626,652
Other cost of revenue	-	-	-
Total cost of revenue	-	6,605,871	6,605,871
Gross Profit	-	3,298,677	3,298,677
Operating expenses:			
General and administrative	448,047	371,670	819,717
Salaries and wages	263,730	660,613	924,343
Total operating expenses	711,778	1,032,283	1,744,061
Income (Loss) from operations	(711,778)	2,266,393	1,554,616
Other income (expense):			
Interest (expense) income	(323,051)	-	(323,051)
State income tax expense	-	-	-
Net Income (Loss)	\$ (1,034,828)	\$ 2,266,393	\$ 1,231,565



**Unaudited Fiscal Second Quarter 2018  
Shareholder Report for  
The Three Months Ended  
April 30, 2018**

**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: OTC Pink Open Market**

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

**5,969,754 Shares Issued and Outstanding as of December 19, 2017**

Dear Shareholder:

We continued to make significant progress toward improving Crossroads' opportunity for value creation in the fiscal second quarter of 2018. Several key strategic actions provide the foundation for delivering shareholder value.

The acquisition continues to be accretive to the business. For the second quarter, Capital Plus Financial (CPF) generated \$2.4 million in interest income from its \$98 million fixed rate conventional mortgage portfolio and \$7.4 million sales from the sale of properties in low to moderate income census tracts. The operating income for the quarter was \$2.3 million. CPF continues to have strong leverage and cash coverage ratios which are of particular emphasis to its lenders. At April 30, 2018, CPF's debt service coverage (leverage) ratio was 2.50 and its cash coverage ratio, adjusted for one-time and transaction expenses, was 1.80.

As a wholly owned subsidiary of Crossroads, the financials are presented on a consolidated basis (supplementary schedules are included for reference). The year to date financials include CPF's financials from December 19, 2017 to April 30, 2018. Please note the initial accounting for the acquisition of CPF has not yet been finalized; accordingly, the purchase price allocation contains balances that could differ from the balances reported upon completion.

The impact of the acquisition of CPF has been tremendous. Not only is the company a leader in growing markets and delivering meaningful profitability to its shareholders, but equally important is its impact on the communities so often overlooked by traditional financial sources. As a for-profit social enterprise, CPF is uniquely positioned to serve the needs of low to moderate income Hispanic homebuyers. In closing, thank you for your ownership of Crossroads stock.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly