Crossroads Systems Reports Fiscal Fourth Quarter and Year End 2018 Financial Results

DALLAS, Texas, December 13, 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 fourth quarter and year ended October 31, 2018.

Fiscal Q4 and Full Year 2018 Financial Results

Revenue for the fiscal fourth quarter of 2018 was $6.8 million and gross profit was $2.3 million or 34 percent of revenue. Property sales income for the quarter was $4.1 million or 60 percent of total revenues. Interest income was $2.7 million or 40 percent of revenue. Total revenue for the full reporting year was $28.4 million and gross profit was $9.5 million or 34 percent of revenue.

Fiscal fourth quarter results included $463,000 of one-time expenses, which were related to the wind down of the Crossroads legacy business. The company also recorded a one-time gain of $22.2 million resulting from the recording of its deferred tax asset. Fiscal fourth quarter net income was $22.1 million or $3.70 income per share. Net income for the full year was $24.3 million or $4.06 income per share. The adjusted earnings after one-time expenses was $0.82.

At October 31, 2018, cash and cash equivalents totaled $2.3 million.

Management Commentary

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "We are thrilled at the successful assimilation of Capital Plus Financial into Crossroads over our first fiscal year as a consolidated entity. We continue to build long term value for our legacy and new Crossroads shareholders and look forward to a full fiscal year in 2019 of driving more impact and profitability."

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)

		October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,324
Restricted Cash		2,542
Accounts receivable, net		732
Current portion of mortgage notes receivable		1,142
Inventories		7,488
Prepaids and other current assets		336
Total current assets		14,563
Mortgage Notes Receivable		107,881
Goodwill		18,567
Other assets		439
Deferred tax asset		21,665
Total assets	$	163,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$	56
Accrued expenses		913
Escrow liabilities		2,533
Current portion of senior secured credit facilities		50,603
Current portion of other note payable		168
Current portion of acquisition note payable		2,843
Total current liabilities		57,116
Senior secured credit facilities, net		44,579
Acquisition debt, net		14,464
Total liabilities		116,160
Stockholders' equity		46,956
Total liabilities and stockholders' equity	$	163,116

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

	For the three months ended October 31, 2018	For the Year ended October 31, 2018
Revenue:		
Interest income	$ 2,690	$ 8,932
Property sales	4,076	19,300
Other revenue	8	210
Total revenue	6,774	28,442
Cost of revenue:		
Interest expense	1,210	3,738
Cost of properties sold	3,245	14,971
Total cost of revenue	4,456	18,709
Gross profit	2,318	9,733
Operating expenses:		
General and administrative	486	2,396
Salaries and wages	1,049	3,563
Total operating expenses	1,535	5,958
Income (loss) from operations	783	3,775
Other income (expense):		
Interest (expense) income	(316)	(1,126)
Other (expense) income	10	(18)
Income before provision for income taxes	476	2,631
Income tax provision	21,665	21,660
Net Income (loss)	$ 22,142	$ 24,291

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Consolidated Balance Sheet

As of October 31, 2018

	Crossroads October 31, 2018	CPF October 31, 2018	Elimination Entries October 31, 2018	Consolidated October 31, 2018
ASSETS				
Current assets:				
Cash and cash equivalents	85,353	2,238,260	-	2,323,614
Restricted cash	-	2,541,930	-	2,541,930
Accounts receivable, net	-	731,507	-	731,507
Inventories	-	7,488,271	-	7,488,271
Intercompany receivable	3,143,910	12,237,369	(15,381,279)	(0)
Prepaids and other current assets	239,046	44,133	-	283,179
Earnest money deposits	-	52,890	-	52,890
Mortgage notes receivable	-	109,022,512	-	109,022,512
Total current assets	**3,468,309**	**134,356,872**	**(15,381,279)**	**122,443,902**
Property and equipment, net	-	24,540	-	24,540
Investment in subsidiaries	13,419,888	-	(13,419,888)	-
Goodwill	18,566,966	-	-	18,566,966
Other assets	-	414,912	-	414,912
Deferred tax asset	21,665,286	-	-	21,665,286
Total assets	**$ 57,120,449**	**$ 134,796,324**	**$ (28,801,167)**	**$ 163,115,606**
	-			
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	204	55,939	-	56,143
Accrued and other current liabilities	540,294	287,298	-	827,592
Escrow liabilities	-	2,533,348	-	2,533,348
Due to subsidiaries	12,237,369	-	(12,237,369)	(0)
Revolving line of credit, inventory	-	7,429,923	-	7,429,923
Revolving line of credit, mortgage notes (current maturities)	-	38,533,993	4,639,056	43,173,049
Current portion of other note payable			168,071	168,071
Current portion of acquisition note payable			2,843,046	2,843,046
Payroll liabilities	-	85,307	-	85,307
Total current liabilities	**12,777,867**	**48,925,808**	**(4,587,196)**	**57,116,479**
Senior secured term notes (long-term)	-	49,218,291	(4,639,056)	44,579,235
Acquisition debt (long-term)	17,307,309	-	(2,843,046)	14,464,263
Total liabilities	**30,085,176**	**98,144,099**	**(12,069,298)**	**116,159,977**
Stockholders' equity:				
Total participating payables	-	157,428	-	157,428
Total preferred equity investment	-	15,012,685	-	15,012,685
Total subordinated debt	2,199,377	1,682,969	(168,071)	3,714,274
Members equity in CPF	-	13,629,428	-	13,629,428
Common stock	5,972	-	-	5,972
Additional paid-in capital	242,325,128	-	(13,385,638)	228,939,491
(Accumulated deficit)/Retained Earnings	(235,483,713)	-	(3,178,160)	(238,661,873)
Current year net (loss) income	17,988,508	6,169,717	-	24,158,225
Total stockholders' equity (deficit)	**27,035,273**	**36,652,226**	**(16,731,869)**	**46,955,629**
Total liabilities and stockholders' equity (deficit)	**$ 57,120,449**	**$ 134,796,324**	**$ (28,801,167)**	**$ 163,115,606**

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Consolidated Income Statement
For the Year Ended October 31, 2018

	Crossroads October 31, 2018	CPF October 31, 2018	Consolidated October 31, 2018
Revenue:			
Interest income	$ -	$ 8,932,162	$ 8,932,162
Property sales	-	19,299,984	19,299,984
Other revenue	-	210,115	210,115
Total revenue	-	28,442,261	28,442,261
Cost of revenue:			
Interest expense	-	3,738,080	3,738,080
Cost of properties sold	-	14,971,067	14,971,067
Total cost of revenue	-	18,709,147	18,709,147
Gross Profit	-	9,733,114	9,733,114
Operating expenses:			
General and administrative	1,321,642	1,073,935	2,395,577
Salaries and wages	1,229,468	2,333,305	3,562,773
Total operating expenses	2,551,109	3,407,240	5,958,350
Income (Loss) from operations	(2,551,109)	6,325,874	3,774,765
Other income (expense):			
Interest (expense) income	(1,125,711)	-	(1,125,711)
Other (expense) income	43.47	(17,892)	(17,849)
Total other income (expense)	(1,125,668)	(17,892)	(1,143,560)
Income before provision for income taxes	(3,676,777)	6,307,982	2,631,204
Income tax provision	21,665,286	(5,190)	21,660,096
Net Income (Loss)	$ 17,988,509	$ 6,302,792	$ 24,291,300

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Consolidated Income Statement
For the Quarter Ended October 31, 2018

	Crossroads October 31, 2018	CPF October 31, 2018	Consolidated October 31, 2018
Revenue:			
Interest income	$ -	$ 2,689,860	$ 2,689,860
Property sales	-	4,076,000	4,076,000
Other revenue		7,894	7,894
Total revenue	-	6,773,754	6,773,754
Cost of revenue:			
Interest expense	-	1,210,311	1,210,311
Cost of properties sold	-	3,245,438	3,245,438
Total cost of revenue	-	4,455,749	4,455,749
Gross Profit	-	2,318,005	2,318,005
Operating expenses:			
General and administrative	260,247	225,366	485,613
Salaries and wages	372,921	676,505	1,049,426
Total operating expenses	633,167	901,871	1,535,038
Income (Loss) from operations	(633,167)	1,416,134	782,967
Other income (expense):			
Interest (expense) income	(316,090)	-	(316,090)
Other (expense) income	-	9,516	9,516
Total other income (expense)	(316,090)	9,516	(306,573)
Income before provision for income taxes	(949,257)	1,425,650	476,394
Income tax provision	21,665,286	-	21,665,286
Net Income (Loss)	$ 20,716,029	$ 1,425,650	$ 22,141,680

Shareholder Report for the Fiscal Year Ended October 31, 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 have culminated the first fiscal year of the Crossroads and Capital Plus Financial ("CPF") relationship. As indicated in prior quarters, our goal was to wind down all legacy expenses of the former iteration of Crossroads which we are proud to say has been achieved. The fiscal year ending results contain one time and transactional expenses, but we expect 2019 to be a full fiscal year end with Capital Plus Financials' results exclusively driving profitability and delivering shareholder value.

CPF is a Certified Community Development Financial Institution ("CDFI") that serves low to moderate-income Hispanic populations in Texas. We help make help the dream of homeownership a reality. The company has two key revenue streams. The first is from the sale of homes it has purchased for rehabilitation. CPF buys a home and then invests in improvements. Ultimately, CPF sells a newly rehabilitated home within a three to six month period at an affordable price. This creates the "Property Sales" on our income statement. The second revenue source is from our long term, fixed mortgage portfolio. Typically when we sell a rehabilitated home, our buyer will provide an equity down-payment and CPF will provide a mortgage for the purchase. This generates our "Interest Income" revenue. We are mindful of the importance of delivering an affordable house in densely urban areas close to where our borrowers work. We are happy to report that the average sales price of our homes continues to be under $150,000. Our mortgage portfolio is comprised of first-time home buyers, and in over 60% of the cases, first time credit recipients. We believe the risk associated with these borrowers is mitigated by their history of debt aversion. Plainly said, those who have shown the financial discipline to operate without debt should be rewarded and not punished as is often the case with a zero credit score borrower attempting to qualify for a mortgage. Each borrower is manually underwritten, and all are given the opportunity to demonstrably prove their ability to repay. A 43% debt to income ("DTI") ratio is the maximum ratio for approved mortgages, but the average DTI ratio in our portfolio is 24%, further reinforcing the quality of our borrowers. All mortgages are originated in house and are Qualified Mortgages (QM).

The company uses credit facilities to finance its inventory and mortgage portfolio. We are fortunate to have supportive banking relationships with community banks who partner with us to deliver Community Reinvestment Act ("CRA") solutions. Through long term borrowings, the balance sheet is managed carefully to reduce interest rate exposure. The Hispanic demographic continues to grow as does the demand for affordable housing. We feel uniquely qualified, with decades of experience and a Latino led staff, to serve this growth and demand.

Run by a former banker, the operations of the company reflect a bank-like discipline to underwriting, financial and performance ratios and REO management. Foreclosures rates have averaged approximately 2.25% over the last three years. Unlike traditional financial institutions, Capital Plus Financial has expertise in managing and repositioning REO. Because of this, the company has historically not experienced any losses as a result of defaulted mortgages. Outside of normal regulatory examinations, the company undergoes self-imposed annual compliance and loan reviews by a bank auditing firm as well as annual fair lending and servicing audits.

Although the fourth quarter brought strong loan portfolio growth, we are not immune to the macro housing conditions, and the company experienced lower than expected sales growth. We are also aware of the impact a rising rate environment will have to our balance sheet. While we understand the challenges on the REO and finance company sides, we also see both as opportunities. For years, the company has had to compete with the ubiquitous distressed home purchase-to-rent strategies in our markets, which has put pricing pressure on our front end home purchases. We are seeing those competitors leave the market, stabilizing our inventory purchase prices. Additionally, we historically have experienced higher levels of activity from mortgage companies soliciting our borrowers to refinance. More recently, mortgage firms focused on refinancing have begun to exit the markets in which we operate, which should preserve our portfolio balances. As we enter Q1 2019, we are focused on building inventory to have ready for sale during our second and third quarters, the busy Spring sales season.

For the fiscal year ended October 31, 2018, the company reported net income of $24.3 million or $4.06 per share. This increase in income was primarily related to the deferred tax gain of $21.7 million recorded in the year due to our ability to show profitability. We are confident that this tax asset will be accretive to earnings for many years to come. On an adjusted basis, net income is $4.9 million resulting from the wind down legacy patent business which incurred operating expenses of approximately $2.2 million. These are all non-recurring expenses for 2018. Outside of interest expense at Crossroads for the CPF acquisition, the operating expenses at the holding company are related to audit and tax preparation as well as expenses associated with being public. On a consolidated basis, but almost exclusively from CPF on a go forward basis, normalized adjusted earnings for the fiscal year ended October 31, 2018 were $.82 per share. A table of the adjustments and one-time items is shown below.

Normalized adjusted earnings for the year ended October 31, 2018	$	EPS
Net income as reported	$ 24,291,301	$ 4.06
Less back: Deferred tax gain	(21,665,286)	(3.62)
Add back:		
Transaction costs	590,753	0.10
Severance costs	1,229,668	0.21
Crossroads related charge-offs	439,593	0.07
Adjusted Net operating income	$ 4,886,029	$ 0.82

With the company's stronger earnings, both Crossroads and CPF demonstrate strong leverage and cash coverage ratios which are of particular emphasis to its lenders. At October 31, 2018, CPF's debt service coverage (leverage) ratio was 4.02 and its cash coverage ratio, adjusted for one-time and transaction expenses, was 3.12.

Looking to the future, Crossroads and CPF look to grow the mortgage portfolio organically by $20-$25 million per year in our existing markets of Dallas, Fort Worth, Houston and San Antonio. We are also exploring new markets to enter as well as potential acquisitions. As mentioned in our last quarterly letter, CPF is also exploring methods to lower its cost of capital through various programs available to CDFI's.

Finally, we invite you to visit our website, http://www.crossroads.com , for a formal presentation of the business. Shareholders should take comfort knowing that management and insiders own 77.5% of the outstanding shares and are aligned in building long term value. We continue to look for ways to positively impact our communities. In closing, thank you for your support of Crossroads.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly