



Crossroads Systems Reports Fiscal First Quarter 2021 Financial Results

DALLAS, Texas, March 4, 2021 – Crossroads Systems, Inc. (OTCQX: 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 first quarter 2021 ended January 31, 2021.

Fiscal First Quarter 2021 Key Performance Indicators (KPIs)

- Added \$3.7 million in new single-family mortgages during the fiscal first quarter.
- The Company’s mortgage portfolio grew to \$130.9 million from \$123.3 million for the comparative period in 2020.
- The serious delinquency rate as of the period ended January 31, 2021 was 1.4%, compared to 1.4% at the end of the same period in 2020. The Federal Home Loan Mortgage Corporation (Freddie Mac) reported a single-family serious delinquency rate of 2.6% as of the period ended January 31, 2021. 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 107 properties in inventory compared to 134 at the same time in 2020. As of January 31, 2021, gross inventory was \$11.2 million compared to \$13.1 million as of January 31, 2020. 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 First Quarter 2021 Financial Highlights

- Total property sales income was \$4.0 million for the quarter compared to \$4.2 million for the same period in 2020. The decrease in property sales income for the quarter was primarily due to lower unit sales related to the COVID-19 pandemic and its impact on the Company’s office staff, resulting in a portion of sales being pushed to the fiscal second quarter.
- Total interest income was \$3.3 million, up from \$3.2 million in the comparative 2020 period. The increase in interest income was the result of growth in the total mortgage note receivable portfolio during the period.

- Operating income was \$1.1 million compared to \$1.3 million in the same period in 2020.
- Cash EPS (operating income less income to non-controlling interests) was \$0.13 compared to \$0.15 for the comparative period in 2020. The Company booked \$112,000 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 \$108,000 was \$0.15.
- Book value as reported was \$51.2 million, or \$8.57 per share. Adjusted book value including \$3.5 million of subordinated debt totaled \$54.7 million, or \$9.16 per share.
- As of January 31, 2021, the Company held a cash balance of \$1.4 million compared to \$2.1 million as of October 31, 2020.

Management Commentary

“As we closed out 2020 and entered the new year, CPF continued to make measurable progress in expanding our mortgage portfolio while also taking advantage of exclusive opportunities to provide much needed relief to small businesses in the communities we serve,” said Eric A. Donnelly, Chief Executive Officer of Crossroads Systems. “Texas’ rapidly growing housing market has opened up remarkable economic opportunities for our borrowers, many of whom work in these industries. As a result, we have witnessed a noticeable declining trend in the volume of forbearance requests. While COVID-19 vaccine rollout initiatives begin to ramp up, we have worked through temporary underwriting delays which have pushed some property sales into fiscal Q2 and have expanded next quarter’s pipeline. Nevertheless, we remain optimistic in our ability to drive property sales and execute on our long-term operational goals.

“The latest government aid programs have also enabled CDFIs like us to extend much-needed support to local businesses. We were quick to take advantage of this opportunity at the onset of the calendar year. After an exceptionally active application period, we are proud to share that we have extended a total of \$65.6MM in PPP loans to over 1,200 small businesses in need of capital, 95% of whom employ fewer than 20 people. While we continue to make meaningful progress towards consummating our pending acquisition of Rice Bancshares, we have also diversified our inventory composition by making key investments in new markets, including a pool of rental units in San Antonio and a development lot in McAllen. These new ventures provide yet another way for us to work alongside municipalities and local communities in creating affordable housing without sacrificing our bottom line.”

About Crossroads Systems

Crossroads Systems, Inc. (OTCQX: 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 STATEMENT OF OPERATIONS
(In thousands, except per share data)

ASSETS	January 31, 2021	October 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,441,075	\$ 2,127,059
Restricted cash	830,852	3,004,051
Interest receivable	1,031,601	930,871
Current portion of notes receivable	1,142,767	1,527,234
Current portion of other notes receivable	5,208	7,014
Inventory	11,191,675	10,544,236
Prepaid expenses and other current assets	319,388	411,645
Total current assets	15,962,566	18,552,110
NOTES RECEIVABLE, net of current maturities and allowance of \$0	128,662,990	127,304,450
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	1,486,354	1,583,761
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	18,187,889	18,300,334
TOTAL ASSETS	\$182,866,765	\$184,307,621
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 309,219	\$ 222,610
Accrued liabilities	307,090	353,901
Escrow liabilities	266,091	2,886,249
Current portion of credit facilities	77,539,280	75,694,845
Current portion of other note payable (subordinated)	144,660	191,337
Current portion of acquisition notes payable	1,871,379	2,495,172
Total current liabilities	80,437,719	81,844,114
CREDIT FACILITIES, net of current maturities	38,728,473	39,481,435
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,144,233	1,144,234
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated)	10,591,275	10,582,769
PAYROLL PROTECTION PROGRAM LOAN	376,800	376,800
OTHER LONG-TERM LIABILITIES	393,692	407,091
TOTAL LIABILITIES	131,672,192	133,836,443
EQUITY		
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	5,972
Additional paid in capital	242,544,918	242,471,412
Accumulated deficit	(209,406,800)	(210,057,986)
Crossroads Systems, Inc. stockholders' equity	33,144,091	32,419,398
Non-controlling interests	18,050,485	18,051,780
TOTAL EQUITY	51,194,576	50,471,178
TOTAL LIABILITIES AND EQUITY	\$182,866,767	\$184,307,621

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	
	Jan 31, 2021	Jan 31, 2020
REVENUES		
Interest income	\$ 3,269,907	3,179,853
Property sales	3,999,060	4,180,400
Other revenue	50,491	284,321
Total revenues	7,319,458	7,644,575
COSTS AND EXPENSES		
Interest expense	1,402,949	1,515,581
Cost of properties sold	3,614,442	3,669,899
General and administrative	499,467	471,810
Salaries and wages	743,698	673,464
Total costs and expenses	6,260,556	6,330,753
Income from operations	1,058,902	1,313,821
OTHER EXPENSES		
Interest expense	(137,771)	(211,876)
Total other expenses	(137,771)	(211,876)
Income before income tax provision	921,132	1,101,945
INCOME TAX PROVISION	(112,445)	(131,370)
NET INCOME	808,687	970,575
Less: net income attributable to non-controlling interests	(157,500)	(158,795)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 651,187</u>	<u>\$ 811,780</u>
Earnings (loss) per share:		
Cash income attributable to common shareholders	763,632	943,150
Weighted average shaes outstanding	5,971,994	5,971,994
Cash income per share	<u>\$ 0.13</u>	<u>\$ 0.16</u>

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	<u>As of January</u> <u>31, 2021</u>	<u>As of January</u> <u>31, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 808,687	\$ 970,575
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(105,702)	(6,803)
Stock based compensation	-	(1,680)
Amortization of deferred financing fees	-	11,450
Provision for income taxes	112,445	131,370
Changes in operating assets and liabilities:		
Interest receivable	(100,730)	(426,006)
Notes receivable (Mortgages and other)	(775,647)	(1,276,506)
Inventory	(647,439)	(1,259,759)
Prepays and other assets	92,257	56,606
Accounts payable	86,609	(21,794)
Accrued liabilities	45,492	95,170
Escrow liabilities	(2,620,158)	(2,206,246)
Net cash used in operating activities	(3,104,186)	(3,933,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity dividend distributions	(158,795)	(158,795)
Paycheck Protection Program loan	-	-
Borrowings on credit facilities, net	4,671,957	5,137,946
Principal payments on credit facilities	(3,580,486)	(3,580,421)
Principal payments on other notes payable	(46,678)	(43,748)
Principal payments on acquisition note payable	(615,287)	(623,792)
Principal payments on participations in mortgage notes and other receivables	(99,213)	-
Net cash provided by financing activities	171,498	731,190
Net change in cash and cash equivalents and restricted cash	(2,932,688)	(3,202,432)
Cash and cash equivalents and restricted cash at beginning of period	5,131,110	3,615,424
Cash and cash equivalents and restricted cash at end of period	<u>\$ 2,198,422</u>	<u>\$ 412,992</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 1,520,702</u>	<u>\$ 1,887,976</u>

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 24,325	\$ 1,416,750	\$ -	\$ 1,441,075
Restricted cash	-	830,852	-	830,852
Interest receivable	-	1,031,601	-	1,031,601
Current portion of notes receivable	-	\$1,142,767	-	1,142,767
Current portion of other notes receivable	-	5,208	-	5,208
Intercompany receivables	3,143,910	22,393,266	(25,537,176)	-
Inventory	-	11,191,675	-	11,191,675
Prepaid expenses and other current assets	134,380	185,008	-	319,388
Total current assets	3,302,615	38,197,127	(25,537,176)	15,962,566
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	128,662,990	-	128,662,990
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	1,486,354	-	1,486,354
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	18,187,889	-	-	18,187,889
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	-
OTHER NON-CURRENT ASSETS	-	-	-	-
TOTAL ASSETS	\$ 53,443,645	\$ 168,346,471	\$ (38,923,351)	\$ 182,866,765
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 307,540	\$ -	\$ 307,540
Accrued liabilities	40,444	266,646	-	307,090
Escrow liabilities	-	266,091	-	266,091
Intercompany payables	22,393,266	-	(22,393,266)	-
Current portion of credit facilities	-	77,539,280	-	77,539,280
Current portion of other note payable (subordinated debt)	-	144,660	-	144,660
Current portion of acquisition notes payable	1,871,379	-	-	1,871,379
Total current liabilities	24,305,089	78,524,217	(22,393,266)	80,436,040
CREDIT FACILITIES, net of current maturities	-	38,728,473	-	38,728,473
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,144,233	-	1,144,233
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M sub maturities (includes \$2.2M subordinated debt)	10,591,275	-	-	10,591,275
PAYCHECK PROTECTION PROGRAM LOAN	-	376,800	-	376,800
OTHER LONG-TERM LIABILITIES	-	393,692	-	393,692
TOTAL LIABILITIES	34,896,364	119,167,415	(22,393,266)	131,670,513
EQUITY				
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	-	-	5,972
Additional paid in capital	242,546,598	-	-	242,546,598
Accumulated earnings (deficit)	(224,005,289)	31,128,574	(16,530,085)	(209,406,800)
Crossroads Systems, Inc. stockholders' equity	18,547,281	31,128,574	(16,530,085)	33,145,770
Non-controlling interests	-	18,050,485	-	18,050,485
TOTAL EQUITY	18,547,281	49,179,059	(16,530,085)	51,196,255
TOTAL LIABILITIES AND EQUITY	\$ 53,443,645	\$ 168,346,474	\$ (38,923,351)	\$ 182,866,768

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 3,269,907	\$ 3,269,907
Property sales	-	3,999,060	3,999,060
Other revenue	-	50,491	50,491
Total revenues	-	7,319,458	7,319,458
COSTS AND EXPENSES			
Interest expense	-	1,402,949	1,402,949
Cost of properties sold	-	3,614,442	3,614,442
General and administrative	97,960	401,507	499,467
Salaries and wages	73,506	670,191	743,698
Total costs and expenses	171,466	6,089,089	6,260,556
Income (loss) from operations	(171,466)	1,230,369	1,058,902
OTHER EXPENSES			
Interest expense	(137,771)	-	(137,771)
Total other expenses	(137,771)	-	(137,771)
Income (loss) before income tax provision	(309,237)	1,230,369	921,132
INCOME TAX PROVISION	(112,445)	-	(112,445)
NET INCOME (LOSS)	(421,682)	1,230,369	808,687
Less: net income attributable to non-controlling interests	-	(157,500)	(157,500)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ (421,682)</u>	<u>\$ 1,072,869</u>	<u>\$ 651,187</u>

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

**Fiscal First Quarter
Shareholder Report for
the Three Months Ended
January 31, 2021**

Crossroads Systems, Inc.

Delaware **74-284664**
(State of Incorporation) (IRS Employer Identification No.)

**4514 Cole St.
Suite 1600
Dallas, TX 75205**
(Address of principal executive office)

(214) 999-0149
(Company's telephone number)

**Common Stock
\$0.001 Par Value
Trading Symbol: CRSS
Trading Market: OTCQX**

75,000,000 Common Shares Authorized

5,971,994 Shares Issued and Outstanding as of January 31, 2021

Dear Shareholder:

This letter is being written from the backdrop of one of the most unique and challenging weeks in recent state memory. With the worst seemingly behind us, I hope this finds you all safe and healthy. For Crossroads, we are working diligently on numerous statewide recovery initiatives.

One of the most promising indicators of economic recovery is Texas' continued red-hot housing market, which hasn't showed signs of stopping any time soon. Many of our community members work in housing and construction-related fields and have benefitted from the increased demand for labor even as economic pressures in other regions intensify.

Our typical seasonality at the start of the year was offset by record interest income generated by our rapidly expanding mortgage portfolio. We experienced a minor decrease in sales for the quarter, which was a result of staffing impacts from the ongoing COVID-19 pandemic, which unfortunately affected our workforce during the quarter. These deferrals resulted in temporarily delays in underwriting, which have substantially increased the size of our sales pipeline. Thankfully, early traction in vaccine distribution bodes well for the return to optimal operational efficiency at Capital Plus and our staff have already made considerable progress in working through opportunities in the sales funnel.

This past quarter brought with it several atypical, yet promising opportunities for us to give back to those in need. Like other CDFIs, we got a clear runway at the beginning of the rollout of second draw PPP loans, allowing us to quickly extend our support to small businesses eligible for relief. Across America, small business owners account for 46% of U.S. GDP and employ 47% of the workforce. During the pandemic, the country witnessed more than 400,000 small businesses collapse and even more on the brink of total shutdown. Small businesses have long been the heart of our country, and now more than ever is the time for us to support them as they do us. Infusing capital into these communities that we serve is not just the right moral choice—it's the right economic choice.

Understanding technological enablement would be core to a successful program. To expedite the PPP loan application process, we partnered with BlueAcorn, an online financial platform that caters directly to the same underserved communities with whom we interact daily. In the past few months, we received an extraordinary volume of loan applications. We are happy to report that as of month end February 2021, CPF has generated \$65.6MM in PPP loans with another \$6.4MM pending approval to a more than 1,200 small businesses in all parts of the country. More importantly, businesses receiving our loans employ an average of 7 employees, for an average loan of \$58k. These smaller businesses, who are often staples in local communities, have needed the most support during this time. We see it as an honor to be there for them where necessary. We will be

working diligently to process these loans in the coming quarter and expect to provide future updates on the status of these loans next quarter.

Our operating history has shown us that the need for affordable housing expands well beyond the reaches of Texas' major population centers. To that end, we made further headway on our ongoing development project in McAllen this quarter. As a reminder, we purchased land in McAllen earlier last year with the intention of developing it into about 48 single-family homes. Newer ventures like these are particularly exciting for us. We have a deeply personal understanding of the requirements that affordable housing units must meet to properly serve those in need. With the agency to develop these units as we see fit, we believe that we can maintain pricing power while exercising greater control of our inventory on a quarterly basis. Another new market for Crossroads is San Antonio, where we recently purchased a pool of rental properties. Again, while this is a departure for us, we see it as another high-value opportunity, bringing us closer with municipal partners and exposing immediately expanding the size of our market. Ultimately, we are working to convert these into affordable housing units over the coming months.

CPF's outstanding mortgage loan portfolio balance at the end of the quarter was \$130.9 million and generated \$3.3 million in interest income. Operating income for the quarter was approximately \$1.1 million before income attributable to non-controlling interests of \$158,000 and accruing for a non-cash tax provision of \$112,000. Cash income attributable to common shareholders for the fiscal first quarter was \$764,000, resulting in a cash EPS of \$0.13. When adjusting for one-time costs related to the pending acquisition as well as stock option compensation, cash EPS totals \$0.15. As of January 31, 2021, CPF's unadjusted leverage was 2.31x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses, was 1.64x.

Lastly, I would like to share that we are making very meaningful progress towards closing our proposed acquisition of Rice Bancshares. There are a few final steps that we are eagerly navigating through now, and we hope to share an update in the near future.

Now is an exciting time for CPF. Though a lot has changed in the last 12 months, we see the initial efforts by state and local partners to distribute critical aid and treatments as a positive indication of what is to come. Amid the uncertainty that many have experienced during the past year, Capital Plus has stood at the ready to our homeowners and—with the help of federal aid—the small businesses that power and define our communities.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly