



## **Crossroads Systems Reports Fiscal Second Quarter 2021 Financial Results**

*Record Issuance of PPP Loans Drives Record Operating Income of \$150.4 Million, or \$25.16  
Per Share*

*4<sup>th</sup> Largest PPP Lender by Net Dollars; 2<sup>nd</sup> Largest by Loans Approved*

**DALLAS, Texas, June 14, 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 second quarter 2021 ended April 30, 2021.

### **Fiscal Second Quarter 2021 Key Performance Indicators (KPIs)**

- Gross origination fees associated with PPP loans totaled \$464.1 million for the quarter. Net of cost of fees and margin split with loan service providers, the Company recorded \$150.2 million in operating income from origination fees during the second fiscal quarter.
- Capital Plus Financial, a designated CDFI, issued and approved 364,079 PPP loans to small business owners and independent contractors during the quarter. As of the culmination of the program on May 31, 2021, the Company has approved 472,036 loans at an average amount of \$16,062. 80% of loans issued and approved went to minority small business owners and individuals.
- Expects to accrue a total of \$1.1 billion in deferred gross origination fees from the program, which will be recognized when expenses are incurred in a later period.
- Added \$4.9 million in new single-family mortgages during the fiscal second quarter.
- The Company’s mortgage portfolio grew to \$132 million from \$121.4 million for the comparative period in 2020.
- The serious delinquency rate as of the period ended April 30, 2021 was 1.1%, 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 2.15% as of the period ended April 30, 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 113 properties in inventory compared to 119 at the same time in 2020. As of April 30, 2021, gross inventory was \$11.6 million compared to \$11.5 million as of April 30, 2020. The housing boom in Texas is providing very stable employment and growth for CPF's customers. This is, however, providing, supply constraints for housing stock but inventory is selling as fast as it comes to market.

### **Fiscal Second Quarter 2021 Financial Highlights**

- Total property sales income was \$6.6 million for the quarter, up from \$6.4 million for the same period in 2020. The increase in property sales income for the quarter was primarily due to slightly increased pricing on homes sold.
- Total interest income increased 76% to \$5.6 million, up from \$3.2 million in the comparative 2020 period. The increase in interest income was the result of interest income earned from the growth in the mortgage loan portfolio and the interest from the PPP loans.
- Operating income increased to \$150.4 million, up from \$1.3 million in the same period in 2020. The substantial increase in operating income was primarily due to origination fees associated with the Company's participation in the PPP loan program.
- Cash EPS (operating income less income to non-controlling interests) was \$25.16 compared to \$0.16 for the comparative period in 2020. The Company utilized its tax losses of \$103 million and its deferred tax asset of \$21 million and booked a cash tax expense of \$9.6 million for the quarter.
- Book value as reported was \$173.5 million, or \$29.05 per share. Adjusted book value including \$1.2 million of subordinated debt totaled \$174.8 million, or \$29.26 per share.
- As of April 30, 2021, the Company held a cash balance of \$213.1 million compared to \$2.6 million as of October 31, 2020.

### **Management Commentary**

“In the last several months, Capital Plus has transformed from a regional single-family mortgage-based lending institution into one of the country's largest providers of small business loans,” said Eric A. Donnelly, Chief Executive Officer of Crossroads Systems. “When the SBA announced its reopening of the program in January, we immediately identified strong synergies between the program's focus on small businesses and Capital Plus' core mission as a CDFI. Together with our loan service providers, we established early incumbency as the go-to institution for small business owners, independent contractors, and sole proprietors. Financially,

our success in the program has put us into the best position we have ever been in, netting us more than \$150 million in operating income for the quarter. At a record cash position, we are well-capitalized to support the future growth initiatives that will drive our double-bottom line. We will provide a more detailed review of the quarter and these growth initiatives in the near future upon the completion of PPP.

#### **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.*

©2021 Crossroads Systems, Inc., Crossroads and Crossroads Systems are registered trademarks of Crossroads Systems, Inc. All trademarks are the property of their respective owners.

#### **Company Contact:**

Crossroads Systems  
[IR@crossroads.com](mailto:IR@crossroads.com)

#### **Investor Relations Contact:**

Gateway Investor Relations  
Matt Glover and Tom Colton  
[CRSS@gatewayir.com](mailto:CRSS@gatewayir.com)  
(949) 574-3860

#### **Press/Media Contact:**

dovetail solutions  
Andy Boian  
[aboian@dovetailsolutions.com](mailto:aboian@dovetailsolutions.com)  
(720) 221-9211

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

**CROSSROADS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

<b>ASSETS</b>	<b>April 30, 2021</b>	<b>October 31, 2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 213,077,424	\$ 2,127,059
Restricted cash	450,918,490	3,004,051
Interest receivable	103,358,931	930,871
Current portion of notes receivable	782,923	1,527,234
Current portion of other notes receivable	3,611	7,014
Inventory	11,604,491	10,544,236
Prepaid expenses and other current assets	186,022	411,645
<b>Total current assets</b>	<b>779,931,893</b>	<b>18,552,110</b>
NOTES RECEIVABLE, net of current maturities and allowance of \$0	129,441,757	127,304,450
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	1,607,379	1,583,761
PPP LOAN RECEIVABLES	3,500,663,375	-
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	-	18,300,334
OTHER NON-CURRENT ASSETS	132,673	-
<b>TOTAL ASSETS</b>	<b>\$ 4,430,344,043</b>	<b>\$ 184,307,621</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 287,489	\$ 222,610
Accrued liabilities	194,786,029	353,901
Escrow liabilities	1,420,841	2,886,249
	-	-
Current portion of credit facilities	39,441,501	75,694,845
Current portion of other note payable (subordinated)	97,218	191,337
Current portion of acquisition notes payable	-	2,495,172
<b>Total current liabilities</b>	<b>236,033,077</b>	<b>81,844,114</b>
CREDIT FACILITIES, net of current maturities	60,828,194	39,481,435
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,144,235	1,144,234
ACQUISITION NOTES PAYABLE, net of current maturities	9,647,991	10,582,769
PAYROLL PROTECTION PROGRAM LOAN	376,800	376,800
FED PPPLF CREDIT FACILITY	3,948,207,844	-
OTHER LONG-TERM LIABILITIES	601,391	407,091
<b>TOTAL LIABILITIES</b>	<b>4,256,839,533</b>	<b>133,836,443</b>
<b>EQUITY</b>		
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	242,619,673	242,471,412
Accumulated deficit	(87,171,619)	(210,057,986)
Crossroads Systems, Inc. stockholders' equity	155,454,026	32,419,398
Non-controlling interests	18,050,485	18,051,780
<b>TOTAL EQUITY</b>	<b>173,504,511</b>	<b>50,471,178</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,430,344,043</b>	<b>\$ 184,307,621</b>

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE QUARTER**  
**ENDED APRIL 30, 2021**  
**CROSSROADS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	<b>For the Three Months Ended</b>	
	<b>April 30, 2021</b>	<b>April 30, 2020</b>
<b>REVENUES</b>		
Interest income	\$ 5,596,975	3,034,272
Property sales	6,641,800	6,423,312
Other revenue	464,303,570	81,047
Total revenues	476,542,345	9,538,631
<b>COSTS AND EXPENSES</b>		
Interest expense	2,155,291	1,569,158
Cost of properties sold	5,602,611	5,457,218
General and administrative	317,603,771	481,437
Salaries and wages	781,454	687,361
Total costs and expenses	326,143,128	8,195,175
Income from operations	150,399,217	1,343,456
<b>OTHER EXPENSES</b>		
Interest expense	(123,838)	(211,876)
Total other expenses	(123,838)	(211,876)
Income before income tax provision	150,275,379	1,131,581
<b>INCOME TAX PROVISION</b>	(27,883,562)	(164,582)
<b>NET INCOME</b>	122,391,817	966,999
Less: net income attributable to non-controlling interests	(155,432)	(157,068)
<b>NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS</b>	<b>\$ 122,236,385</b>	<b>\$ 809,931</b>
<b>Earnings (loss) per share:</b>		
Cash income attributable to common shareholders	140,424,274	974,513
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	\$ 23.51	\$ 0.16

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2021**

	<b>For the Six Months Ended</b>	
	<b>April 30, 2021</b>	<b>April 30, 2020</b>
<b>REVENUES</b>		
Interest income	\$ 8,866,882	\$ 6,214,126
Property sales	10,640,860	10,603,712
Other revenue	464,354,061	365,368
Total revenues	483,861,803	17,183,206
<b>COSTS AND EXPENSES</b>		
Interest expense	3,558,240	3,084,739
Cost of properties sold	9,217,053	9,127,287
General and administrative	318,101,557	974,053
Salaries and wages	1,526,832	1,360,825
Total costs and expenses	332,403,682	14,546,903
Income from operations	151,458,121	2,636,303
<b>OTHER EXPENSES</b>		
Interest expense	(261,609)	(395,322)
Total other expenses	(261,609)	(395,322)
Income before income tax provision	151,196,512	2,240,981
INCOME TAX PROVISION	(27,996,007)	(295,952)
NET INCOME	123,200,505	1,945,029
Less: net income attributable to non-controlling interests	(314,137)	(315,863)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 122,886,368</u>	<u>\$ 1,629,166</u>
<b>Earnings (loss) per share:</b>		
Cash income attributable to common shareholders	141,186,702	1,925,118
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	<u>\$ 23.64</u>	<u>\$ 0.32</u>

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>As of April 30,</u> <u>2021</u>	<u>As of April 30,</u> <u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 123,199,210	\$ 1,945,029
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(105,702)	(105,702)
Stock based compensation	148,261	(1,681)
Amortization of deferred financing fees	(132,673)	22,993
Provision for income taxes	18,300,334	295,952
Changes in operating assets and liabilities:		
Account & Interest receivable	(102,428,060)	(9,506)
Notes receivable (Mortgages, other and PPP)	(3,502,076,587)	(3,914,231)
Inventory	(1,060,255)	322,679
Prepays and other assets	225,623	70,986
Accounts payable	64,879	(4,195)
Accrued liabilities	194,732,130	270,841
Escrow liabilities	(1,465,408)	(1,846,279)
Net cash used in operating activities	<u>(3,270,598,249)</u>	<u>(2,953,112)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Preferred equity dividend distributions	(314,137)	(315,863)
Paycheck Protection Program loan	-	376,800
Borrowings on credit facilities, net	-	10,780,490
Principal payments on credit facilities	(14,906,585)	(8,509,019)
Principal payments on other notes payable	(94,118)	(88,211)
Principal payments on acquisition note payable	(3,429,950)	(1,028,203)
Principal payments on participations in mortgage notes and other receivables	-	1,275,978
Proceeds from the federal reserve PPP credit facility	3,948,207,844	-
Net cash provided by financing activities	<u>3,929,463,055</u>	<u>2,491,973</u>
Net change in cash and cash equivalents and restricted cash	658,864,805	(461,139)
Cash and cash equivalents and restricted cash at beginning of period	5,131,110	3,030,074
Cash and cash equivalents and restricted cash at end of period	<u>\$ 663,995,915</u>	<u>\$ 2,568,935</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 3,137,559</u>	<u>\$ 3,221,615</u>

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