



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

*Small Business Loan Program Drives Another Period of Record Financial Results, Including Nearly \$500 Million in Revenue, \$165.6 Million in Operating Income or \$21.26 Per Share*

*Strategic Relationship with Enhanced Capital Group to Broaden Company's Financial Impact Footprint to Emerging Communities Across the Country*

*Former Maryland Deputy Attorney General Thiruvendran "Thiru" Vignarajah Appointed as New CEO of Capital Plus Financial Subsidiary*

**DALLAS, Texas, September 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 third quarter 2021 ended July 31, 2021.

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

- Gross origination fees associated with Payment Protection Program (“PPP”) loans totaled \$465.6 million for the quarter. Net of cost of fees and margin split with loan service providers, the Company recorded \$178.3 million in operating income from origination fees during the third fiscal quarter.
- Capital Plus Financial, a designated CDFI, issued and approved 389,254 PPP loans to small business owners and independent contractors through the program’s term.. An additional 82,782 applications were withdrawn due to insufficient data or other reasons identified during Capital Plus Financial’s rigorous review process. Of the loans issued and approved where identifying information was provided, 87% were disbursed to minority small business owners and individuals with an average loan size of \$15,900.
- Added \$4.7 million in new single-family mortgage loan balance during the fiscal third quarter.
- The Company’s mortgage portfolio grew to \$132.7 million from \$125.2 million for the comparative period in 2020.
- The serious delinquency rate as of the period ended July 31, 2021 was 0.79%, compared to 1.38% 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 1.74% as of the period ended July 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 102 properties in inventory compared to 119 at the same time in 2020. As of July 31, 2021, gross inventory was \$10.6 million compared to \$10.5 million as of July 31, 2020. The Company is looking to build inventory to not only meet current demand but also to plan for renovated housing units going forward.

### **Fiscal Third Quarter 2021 Financial Highlights**

- Total revenues increased 4,638% to \$486.6 million, up from \$10.3 million in the comparative 2020 period. The substantial increase in total revenues was primarily due to an increase in other revenues during the period. Other revenues include processing fees the Company earned from originating PPP loans during the quarter ended July 31, 2021. The Company earned fees from the program totaling approximately \$465.6 million for the quarter.
- Total property sales income was \$6.1 million for the quarter compared to \$7.1 million for the same period in 2020. The decrease in property sales income for the quarter was primarily due to a lack of inventory resulting in a lower number of homes being available for sale during the period.
- Total interest income increased 377% to \$14.9 million, up from \$3.1 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 and the addition of PPP loans to the portfolio.
- Operating income increased 11,366% to \$165.6 million, up from \$1.3 million in the same period in 2020. The substantial increase in operating income was primarily due to the previously disclosed origination fees associated with the Company's participation in the PPP loan program.
- Cash EPS (operating income less income to non-controlling interests) was \$21.26 compared to \$0.19 for the comparative period in 2020. The Company booked \$38.5 million of state and federal income tax expense during period.
- Book value as reported was \$61.6 million, or \$10.31 per share. Adjusted book value including \$1.2 million of subordinated debt totaled \$62.8 million, or \$10.51 per share.
- As of July 31, 2021, the Company held a cash balance of \$291.5 million compared to \$2.1 million as of October 31, 2020.

## **Fiscal Nine Months Ended July 31, 2021 Financial Highlights**

- Total revenues increased 3,435% to \$970.5 million, up from \$27.4 million in the comparative 2020 period. The substantial increase in total revenues was primarily due to an increase in other revenues during the period.
- Total property sales income was \$16.7 million compared to \$17.7 million for the same period in 2020. The decrease in property sales income for the quarter was primarily due to fewer completed homes being available for sale during the period.
- Total interest income increased 155% to \$23.8 million, up from \$9.3 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 and the addition of PPP loans to the portfolio.
- Operating income increased 7,670% to \$317.1 million, up from \$4.1 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 \$45.48 compared to \$0.51 for the comparative period in 2020. The Company booked \$70.0 million of state and federal income tax expense during the period, of which only \$49.0 million is payable. The company has fully utilized its non-operating tax losses of \$103.0 million.

## **Management Commentary**

“In the fiscal third quarter we continued the important work of bringing financial aid to small businesses across the country. More recently, we’ve also taken major steps in laying the groundwork for the future direction of our organization,” said Eric A. Donnelly, Chief Executive Officer of Crossroads Systems. “With the official conclusion of the Paycheck Protection Program in May, we issued and approved nearly 400,000 loans and generated nearly a billion dollars in origination fees, both of which are monumental achievements that have irrevocably changed our business and impacted the lives of many Americans. From here, we are now transitioning to loan forgiveness; to-date we have received approximately 85,000 applications and are working diligently in direct partnership with the SBA to address these requests as efficiently as we can.

“This generational experience has renewed and expanded our commitment to Crossroads’ core mission of providing financial aid and services to minority communities that have been historically underbanked and unrepresented. Our recently announced strategic relationship with Enhanced Capital Group, a National Impact lender, enables us to further that mission on a much greater scale, providing flexible lending solutions to small businesses throughout the U.S., making our Capital Plus Financial subsidiary one of the nation’s most impactful CDFI’s. In just

a few short months we've been able to accumulate significant financial resources, build meaningful new partnerships, and attract talented leadership, which, together, will allow us to accelerate our growth trajectory and realize our vision of a more equitable financial future for all."

#### **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 BALANCE SHEET**

<b>ASSETS</b>	<b>July 31</b>	<b>October 31,</b>
	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 291,475,025	\$ 2,127,059
Restricted cash	284,724,674	3,004,051
Interest and PPP loan fees receivable	15,201,285	930,871
Current portion of notes receivable	388,894	1,527,234
Current portion of other notes receivable	3,685	7,014
Inventory	10,606,419	10,544,236
Prepaid expenses and other current assets	305,195	411,645
<b>Total current assets</b>	<b>602,705,177</b>	<b>18,552,110</b>
NOTES RECEIVABLE, net of current maturities and allowance of \$0	130,339,924	127,304,450
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of \$0	1,442,244	1,583,761
PPP LOAN RECEIVABLES	6,147,231,676	-
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	-	18,300,334
OTHER NON-CURRENT ASSETS	132,673	-
<b>TOTAL ASSETS</b>	<b>\$ 6,900,418,660</b>	<b>\$ 184,307,621</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 249,095	\$ 222,610
Accrued liabilities	254,328,624	353,901
Escrow liabilities	2,490,500	2,886,249
Income tax payable	48,243,336	-
Current portion of credit facilities	26,693,660	75,694,845
Current portion of other note payable (subordinated)	49,003	191,337
Current portion of acquisition notes payable	623,793	2,495,172
<b>Total current liabilities</b>	<b>332,678,011</b>	<b>81,844,114</b>
CREDIT FACILITIES, net of current maturities	73,281,866	39,481,435
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,144,235	1,144,234
ACQUISITION NOTES PAYABLE, net of current maturities	8,408,912	10,582,769
PAYROLL PROTECTION PROGRAM LOAN	376,800	376,800
FED PPPLF CREDIT FACILITY	6,422,368,421	-
OTHER LONG-TERM LIABILITIES	594,715	407,091
<b>TOTAL LIABILITIES</b>	<b>6,838,852,960</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	3,816,349	242,471,412
Accumulated deficit	39,692,893	(210,057,986)
Crossroads Systems, Inc. stockholders' equity	43,515,214	32,419,398
Non-controlling interests	18,050,485	18,051,780
<b>TOTAL EQUITY</b>	<b>61,565,699</b>	<b>50,471,178</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,900,418,660</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**

	<b>For the Nine Months Ended</b>	
	<b>July 31, 2021</b>	<b>July 31, 2020</b>
<b>REVENUES</b>		
Interest income	\$ 23,777,722	\$ 9,339,624
Property sales	16,733,791	17,736,312
Other revenue	929,984,144	378,249
Total revenues	970,495,657	27,454,185
<b>COSTS AND EXPENSES</b>		
Interest expense	9,134,509	4,356,322
Cost of properties sold	14,468,546	15,425,606
General and administrative	609,024,279	1,487,181
Salaries and wages	20,731,003	2,103,878
Total costs and expenses	653,358,337	23,372,987
Income from operations	317,137,320	4,081,198
<b>OTHER EXPENSES</b>		
Interest expense	(372,859)	(550,947)
Other income/(expenses)	3,447,921	-
Total other expenses	3,075,062	(550,947)
Income before income tax provision	320,212,382	3,530,251
INCOME TAX PROVISION	(69,991,591)	(448,398)
NET INCOME	250,220,791	3,081,853
Less: net income attributable to non-controlling interests	(469,910)	(472,931)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 249,750,881</u>	<u>\$ 2,608,922</u>
Earnings (loss) per share:		
Cash income attributable to common shareholders	271,594,104	3,057,320
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	<u>\$ 45.48</u>	<u>\$ 0.51</u>

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	<b>For the Three Months Ended</b>	
	<b>July 31, 2021</b>	<b>July 31, 2020</b>
<b>REVENUES</b>		
Interest income	\$ 14,910,841	3,125,498
Property sales	6,092,931	7,132,600
Other revenue	465,610,289	12,881
Total revenues	486,614,061	10,270,979
<b>COSTS AND EXPENSES</b>		
Interest expense	5,576,284	1,271,583
Cost of properties sold	5,391,903	6,298,319
General and administrative	290,766,066	513,128
Salaries and wages	19,204,171	743,053
Total costs and expenses	320,938,424	8,826,083
Income from operations	165,675,637	1,444,896
<b>OTHER EXPENSES</b>		
Interest expense	(111,250)	(155,626)
Total other expenses	(111,250)	(155,626)
Income before income tax provision	165,564,387	1,289,270
<b>INCOME TAX PROVISION</b>	<b>(38,452,695)</b>	<b>(152,446)</b>
<b>NET INCOME</b>	<b>127,111,692</b>	<b>1,136,824</b>
Less: net income attributable to non-controlling interests	(155,773)	(157,068)
<b>NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS</b>	<b>\$ 126,955,919</b>	<b>\$ 979,756</b>
<b>Earnings (loss) per share:</b>		
Cash income attributable to common shareholders	126,955,919	1,132,202
Weighted average shares outstanding	5,971,994	5,971,994
Cash income per share	\$ 21.26	\$ 0.19

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

	As of July 31, 2021	As of July 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 250,220,790	\$ 3,081,853
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(105,702)	(105,702)
Stock based compensation	224,697	42,496
Amortization of deferred financing fees	(132,673)	22,993
Provision for income taxes	18,300,334	448,398
Changes in operating assets and liabilities:		
Account & Interest receivable	(14,270,414)	181
Notes receivable (Mortgages, other and PPP)	(6,148,983,964)	(5,292,267)
Inventory	(62,183)	852,188
Prepays and other assets	106,450	27,158
Accounts payable	26,485	70,931
Accrued liabilities	302,511,385	(13,445)
Escrow liabilities	(395,749)	(872,724)
Net cash used in operating activities	(5,592,560,544)	(1,737,940)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(471,206)	(472,931)
Common equity distributions	(238,879,760)	-
Paycheck Protection Program loan	-	376,800
Borrowings on credit facilities, net	2,752,674	19,157,858
Principal payments on credit facilities	(17,953,429)	(16,911,620)
Principal payments on other notes payable	(142,333)	(133,399)
Principal payments on acquisition note payable	(4,045,236)	(1,224,684)
Principal payments on participations in mortgage notes and other receivables	-	800,085
Proceeds from the federal reserve PPP credit facility	6,422,368,421	-
Net cash provided by financing activities	6,163,629,132	4,092,109
Net change in cash and cash equivalents and restricted cash	571,068,589	421,781
Cash and cash equivalents and restricted cash at beginning of period	5,131,110	1,656,114
Cash and cash equivalents and restricted cash at end of period	<u>\$ 576,199,699</u>	<u>\$ 2,077,895</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 4,289,921</u>	<u>\$ 5,087,850</u>

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

AS OF JULY 31, 2021

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 7,011,736	\$ 284,463,289	\$ -	\$ 291,475,025
Restricted cash	-	284,724,674	-	284,724,674
Interest receivable	-	15,201,285	-	15,201,285
Accounts receivable				
Current portion of notes receivable	-	388,894	-	388,894
Current portion of other notes receivable	-	3,685	-	3,685
Intercompany receivables	3,143,910	290,289,928	(293,433,838)	-
Inventory	-	10,606,419	-	10,606,419
Prepaid expenses and other current assets	108,355	196,840	-	305,195
<b>Total current assets</b>	<b>10,264,001</b>	<b>885,875,014</b>	<b>(293,433,838)</b>	<b>602,705,177</b>
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	130,339,924	-	130,339,924
OTHER NOTES RECEIVABLE, net of current	-	1,442,244	-	1,442,244
PPP LOAN RECEIVABLES	-	6,147,231,676	-	6,147,231,676
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	-	132,673	-	132,673
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	(0)
OTHER NON-CURRENT ASSETS	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 42,217,142</b>	<b>\$ 7,165,021,531</b>	<b>\$(306,820,013)</b>	<b>\$ 6,900,418,660</b>
		(0)		
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ -	\$ 249,095	\$ -	\$ 249,095
Accrued liabilities	35,250	254,293,374	-	254,328,624
Escrow liabilities	-	2,490,500	-	2,490,500
Income taxes payable	48,243,336	-	-	48,243,336
Intercompany payables	290,289,928	-	(290,289,928)	-
Current portion of credit facilities	-	26,693,660	-	26,693,660
Current portion of other note payable (subordinated debt)	-	49,003	-	49,003
Current portion of acquisition notes payable	623,793	-	-	623,793
<b>Total current liabilities</b>	<b>339,192,307</b>	<b>283,775,632</b>	<b>(290,289,928)</b>	<b>332,678,011</b>
CREDIT FACILITIES, net of current maturities	-	73,281,866	-	73,281,866
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,144,235	-	1,144,235
ACQUISITION NOTES PAYABLE, net of current maturities	8,408,912	-	-	8,408,912
FEDERAL RESERVE PPPLF CREDIT FACILITY	-	6,422,368,421	-	6,422,368,421
PAYCHECK PROTECTION PROGRAM LOAN	-	376,800	-	376,800
OTHER LONG-TERM LIABILITIES	-	594,715	-	594,715
<b>TOTAL LIABILITIES</b>	<b>347,601,219</b>	<b>6,781,541,669</b>	<b>(290,289,928)</b>	<b>6,838,852,960</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	3,816,347	-	-	3,816,347
Accumulated earnings (deficit)	(309,206,397)	365,429,378	(16,530,085)	39,692,896
Crossroads Systems, Inc. stockholders' equity	(305,384,078)	365,429,378	(16,530,085)	43,515,215
Non-controlling interests	-	18,050,485	-	18,050,485
<b>TOTAL EQUITY</b>	<b>(305,384,078)</b>	<b>383,479,863</b>	<b>(16,530,085)</b>	<b>61,565,700</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 42,217,141</b>	<b>\$ 7,165,021,532</b>	<b>\$(306,820,013)</b>	<b>\$ 6,900,418,660</b>

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

FOR THE NINE MONTHS ENDED JULY 31, 2021

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
<b>REVENUES</b>			
Interest income	\$ -	\$ 23,777,722	\$ 23,777,722
Property sales	-	16,733,791	16,733,791
Other revenue	-	929,984,144	929,984,144
Total revenues	-	970,495,657	970,495,657
<b>COSTS AND EXPENSES</b>			
Interest expense	-	9,134,509	9,134,509
Cost of properties sold	-	14,468,546	14,468,546
General and administrative	682,616	608,341,663	609,024,279
Salaries and wages	18,023,645	2,707,358	20,731,003
Total costs and expenses	18,706,261	634,652,076	653,358,337
Income (loss) from operations	(18,706,261)	335,843,581	317,137,320
<b>OTHER EXPENSES</b>			
Interest expense	(372,859)	-	(372,859)
Other income (expense)	3,447,921	-	3,447,921
Total other expenses	3,075,062	-	3,075,062
Income (loss) before income tax provision	(15,631,199)	335,843,581	320,212,382
INCOME TAX PROVISION	(69,991,591)	-	(69,991,591)
NET INCOME (LOSS)	(85,622,790)	335,843,581	250,220,791
Less: net income attributable to non-controlling interests	-	(469,910)	(469,910)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>(85,622,790)</u>	<u>335,373,671</u>	<u>249,750,881</u>

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

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

FOR THE THREE MONTHS ENDED JULY 31, 2021

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
<b>REVENUES</b>			
Interest income	\$ -	\$ 14,910,841	\$ 14,910,841
Property sales	-	6,092,931	6,092,931
Other revenue	-	465,610,289	465,610,289
Total revenues	-	486,614,061	486,614,061
<b>COSTS AND EXPENSES</b>			
Interest expense	-	5,576,284	5,576,284
Cost of properties sold	-	5,391,903	5,391,903
General and administrative	437,142	290,328,924	290,766,066
Salaries and wages	17,873,703	1,330,468	19,204,171
Total costs and expenses	18,310,845	302,627,579	320,938,424
Income (loss) from operations	(18,310,845)	183,986,482	165,675,637
<b>OTHER EXPENSES</b>			
Interest expense	(111,250)	-	(111,250)
Total other expenses	(111,250)	-	(111,250)
Income (loss) before income tax provision	(18,422,095)	183,986,482	165,564,387
<b>INCOME TAX PROVISION</b>	(38,452,695)	-	(38,452,695)
<b>NET INCOME (LOSS)</b>	(56,874,790)	183,986,482	127,111,692
Less: net income attributable to non-controlling interests	-	(155,773)	(155,773)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS</b>	<u>\$ (56,874,790)</u>	<u>\$ 183,830,709</u>	<u>\$ 126,955,919</u>

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

**Fiscal Third Quarter  
Shareholder Report for  
the Three Months Ended  
July 31, 2021**

**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: OTCQB**

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

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

Dear Shareholder:

As I write to you today, we find ourselves seemingly on the other side of what has been an eventful 18 months for everyone. And while we are closely monitoring developments and the potential impact from the surging COVID-19 Delta variant, it does seem like there's light at the end of the tunnel to eventually return to some semblance of normalcy. Stepping back to a year and a half ago, this was not the case. Nearly all of us in some capacity were either fearing for our friends, families, or at-risk loved ones, and many others were also forced to contend with a potential loss of livelihood.

As an enterprise equally devoted to providing positive social impact as well as financial performance, we recognized that we had a role to play in helping Americans navigate through this generational crisis and that we were well equipped as a community development financial institution, or CDFI, to lead the charge for the Paycheck Protection Program's second draw. With the program's conclusion in May, we now have an opportunity to take a look back at what we were able to accomplish in that time and also to evaluate what's next.

In just a few short months, along with our community bank referral partners and partners at Blueacorn, we issued and approved nearly 400,000 loans and generated nearly a billion dollars in origination fees, both of which are monumental achievements that have irrevocably changed our business and impacted the lives of many Americans.

Equally important to this program were our efforts to ensure that the funds were dispersed to the people and businesses that met all necessary qualifications. We have gone through painstaking and patient detail with borrowers to try and give them every opportunity to provide the required information which is a differentiated approach than most banks would be willing to undertake. At the same time, our approval process was both rigorous and secure. Though we leaned heavily on our loan service providers for support on the front end, we were thorough in reviewing applications on the back end, using four layers of identity verification in comparison to most lenders' one or two. This investment in KYC or 'know your customers' substantially reduced fraud, which is evidenced by a negligible rate of active fraud cases of less than .0025%. Throughout the term of the program, we cumulatively detected, reported, and stopped over 80,000 applications that were withdrawn due to insufficient data or other reasons.

From here, we are now transitioning from loan origination to forgiveness. Today, we have already received approximately 85,000 applications for forgiveness and are working diligently in direct partnership with the SBA to address these requests as efficiently as we can. With the SBA's direct forgiveness online portal and dedicated helpline now available for any previously issued loans under \$150,000, we plan to direct our portfolio to these resources and are aiming to have outstanding requests materially addressed over the next 90 days. We are grateful to the SBA for their partnership and assistance in making this

process as seamless as possible for such a large number of requests. To date, not a single one of the applicants we have worked with has been turned away. The work does not simply stop at loaning money to businesses in need; we must find ways to educate, mentor, and ensure these businesses stabilize and thrive once the economy recovers.

While the SBA loan program has admittedly taken much of our focus over the last few months, throughout this process we have remained committed to our core mission of providing housing and loan opportunities to the low-income, largely Hispanic population in Texas. Like the rest of the U.S. housing market, Texas residential real estate remains extremely tight; inventory is hard to come by and houses that do arrive on the market are sold quickly. In response, we have been actively evaluating new markets for growth and expanding our geographic footprint. In McAllen, TX, one of our relatively recent expansion markets, we've made strides with new home development activity, and we are moving quickly to add more inventory. Still, we hope to build a larger base of homes in the quarters ahead and will be watching the market closely to identify potential opportunities that meet our criteria.

With the government lending program entering its sunset period, and our housing business well managed and capitalized, we've had an opportunity to reevaluate what the future of Crossroads might look like going forward. What we've long known is that the US banking system is woefully inefficient at servicing independent contractors. On both ends of the spectrum, either a self-employed person trying to get a mortgage or a gig economy worker just trying to get a small loan, the current infrastructure is not doing enough to support these people. Over the last few years, Capital Plus Financial has developed into a go-to lender for housing loans for the underbanked population in Texas. While we knew we were making a difference – helping many families secure their first homes and providing opportunities for communities that so often faced closed doors when they tried to make a way for themselves – we've also been aware that there was potential for so much more. And thanks to the massive success of the SBA program, we're now in a position to do more.

Looking ahead, we are very excited about the next chapter for Crossroads. We see substantial opportunity to represent the premier, diversified impact credit platform in the public markets in Capital Plus Financial. As one of the only publicly traded non-bank CDFIs, our PPP experience has catapulted us from a single asset and regional focus to a national platform with hundreds of thousands of borrowers across multiple lines of business. As we've noted before, we focus our business on a “double bottom line” result: creating significant, tangible impact across all we do, and generating strong returns on tangible common equity for our shareholders. There are firms that attempt the former, and those that attempt the latter, but we believe our combination of both will distinguish us in the quarters and years to come.

Relatedly, this morning we announced a strategic relationship with Enhanced Capital Group (“ECG”), a national impact lender, to deploy flexible capital to women and minority owned small businesses, small businesses located in underserved areas, and to renewable energy and community redevelopment projects across the country. Like CPF, Enhanced Capital Group has multi-decade track record achieving double bottom line results across a wide array of end markets. Under this partnership, both Crossroads and ECG will be combining their respective impact footprints and diversifying product and service offerings to deliver capital to areas including underserved and low-income communities at an unprecedented scale. In practice, ECG will originate its future production on our balance sheet in exchange for a management fee and incentive fee, providing a win-win for both organizations.

We expect ECG-originated assets, in aggregate and with proper financing in place, to yield in excess of 20% return on equity for Crossroads, while dramatically expanding our impact footprint. ECG will also help CPF raise additional low cost funding in the debt and preferred equity markets, which should allow ECG to tap into its billion dollar pipeline to deploy a diversified pool of impact products across the U.S. Put plainly, this agreement sets up our CPF subsidiary as one of the nation’s most impactful, institutionally-backed CDFI’s in the nation.

At a high level, partnering with ECG will enable us to further our mission on a much greater scale, geographically and thematically, providing flexible lending solutions to small businesses throughout the U.S. Whereas our ability to reach the underbanked community was previously centralized to strategic locales in the state of Texas with a specific demographic makeup, the ECG partnership allows us to expand our reach to much of the continental United States; ECG and its affiliates have deployed approximately \$4 billion since inception, with employees in 10 states and investments in 37, including Washington D.C. and Puerto Rico. Expanding our reach to new markets is an important step in our mission to help a larger segment of the population.

To aid in CPF’s expanded mission, we’ve appointed former Maryland Deputy Attorney General Thiruvendran “Thiru” Vignarajah as CEO. Thiru is a talented operator with a world-class background and a passion for solving the issue of inequity in the financial system and being a champion for the less fortunate. I look forward to working with him closely as we aim to become a market-leading, ethically mandated private credit provider.

With this agreement now in place, we intend to explore uplisting onto a national exchange in coming quarters. The Crossroads story and mandate has no doubt broadened; we can now provide aid and services on a national level. Coupled with the financial strength of our operations, the timing is right for us to increase our access to institutional capital and to tell our story to a larger audience that’s now aligned with our future growth plans. I look forward to sharing further updates in the near future.

In just a few short months we've been able to accumulate significant financial resources, build meaningful new strategic partnerships, and attract talented leadership, which, together, will allow us to accelerate our growth trajectory and realize our vision of a more equitable financial future for all.

Saludos Cordiales,

Eric A. Donnelly