



Crossroads Systems Reports Fiscal Third Quarter 2018 Financial Results

DALLAS, Texas, September 7, 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 third quarter ended July 31, 2018.

Fiscal Q3 2018 Financial Results

Revenue for the fiscal third quarter of 2018 was \$8.3 million and gross profit was \$2.6 million or 31 percent of revenue. Property sales income for the quarter was \$5.8 million or 71 percent of total revenues. Interest income was \$2.6 million or 32 percent of revenue. Fiscal third quarter results included \$100,000 write-down related to the wind down of the Crossroads legacy business. Fiscal third quarter net income was \$1.22 million or \$0.20 income per share.

At July 31, 2018, cash and cash equivalents totaled \$3.8 million.

Management Commentary

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "Capital Plus Financial celebrated two humbling honors during the quarter bestowed upon us by B Corp and D CEO Magazine, respectively. It's a testament to our incredible team and a wonderful recognition of the impact social enterprises make every day. Our financial results show that social impact and increased shareholder value don't have to be mutually exclusive. Additionally, we remain on course to eliminate all legacy expenses of Crossroads 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>July 31,</u> <u>2018</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,755
Restricted Cash	1,639
Accounts receivable, net	706
Current portion of mortgage notes receivable	1,138
Inventories	5,818
Prepays and other current assets	352
Total current assets	<u>13,408</u>
Mortgage Notes Receivable	100,303
Goodwill	5,033
Other assets	756
Total assets	<u><u>\$ 119,501</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 263
Accrued expenses	351
Escrow liabilities	1,662
Current portion of senior secured credit facilities	43,498
Total current liabilities	<u>45,774</u>
Senior secured credit facilities, net	43,805
Acquisition debt, net	18,244
Total liabilities	<u>107,823</u>
Stockholders' equity	<u>11,678</u>
Total liabilities and stockholders' equity	<u><u>\$ 119,501</u></u>

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

	For the three months ended July 31, 2018	For the nine months ended July 31, 2018
Revenue:		
Interest income	\$ 2,608	\$ 6,244
Property sales	5,839	15,224
Other revenue	(174)	(11)
Total revenue	8,273	21,457
Cost of revenue:		
Interest expense	1,175	2,479
Cost of properties sold	4,491	11,732
Other cost of revenue	-	3
Total cost of revenue	5,667	14,214
Gross profit	2,606	7,243
Operating expenses:		
General and administrative	254	1,816
Salaries and wages	810	2,512
Total operating expenses	1,064	4,328
Income (loss) from operations	1,542	2,915
Other income (expense):		
Interest (expense) income	(323)	(810)
State income tax expense	-	-
Net Income (loss)	\$ 1,219	\$ 2,105

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Balance Sheet

As of July 31, 2018

	Unaudited Crossroads July 31, 2018	Unaudited CPF July 31, 2018	Unaudited Elimination Entries July 31, 2018	Unaudited Crossroads Consolidated July 31, 2018
ASSETS				
Current assets:				
Cash and cash equivalents	406,846	3,340,503	7,559	3,754,908
Restricted cash	-	1,638,919	-	1,638,919
Accounts receivable, net	4,500	701,636	-	706,136
Inventories	-	5,818,287	-	5,818,287
Intercompany receivable	3,143,910	11,341,693	(14,485,603)	(0)
Prepays and other current assets	242,678	7,994	-	250,672
Earnest money deposits	-	101,260	-	101,260
Mortgage notes receivable	-	101,441,491	-	101,441,491
Total current assets	3,797,934	124,391,784	(14,478,044)	113,711,675
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	235,194	496,524	-	731,718
Total assets	\$ 35,986,269	\$ 124,912,849	\$ (41,397,932)	\$ 119,501,186
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	204	262,676	-	262,880
Accrued and other current liabilities	78,606	274,530	-	353,136
Escrow liabilities	-	1,661,740	-	1,661,740
Due to subsidiaries	11,341,693	-	(11,341,693)	(0)
Revolving line of credit, inventory	-	4,963,731	-	4,963,731
Revolving line of credit, mortgage notes (current maturities)	-	38,533,993	-	38,533,993
Payroll liabilities	-	(1,968)	-	(1,968)
Total current liabilities	11,420,503	45,694,702	(11,341,693)	45,773,512
Senior secured term notes (long-term)	-	43,805,354	-	43,805,354
Acquisition debt (long-term)	18,244,130	-	-	18,244,130
Total liabilities	29,664,633	89,500,056	(11,341,693)	107,822,996
Stockholders' equity:				
Total participating payables	-	157,928	-	157,928
Total preferred equity investment	-	15,103,349	-	15,103,349
Total subordinated debt	2,200,000	1,723,311	-	3,923,311
Members equity in CPF	-	13,595,715	-	13,595,715
Common stock	5,883	-	-	5,883
Additional paid-in capital	242,309,739	-	(26,885,638)	215,424,101
(Accumulated deficit)/Retained Earnings	(235,466,465)	-	(3,170,601)	(238,637,066)
Current year net (loss) income	(2,727,521)	4,832,489	-	2,104,968
Total stockholders' equity (deficit)	6,321,636	35,412,793	(30,056,239)	11,678,191
Total liabilities and stockholders' equity (deficit)	\$ 35,986,269	\$ 124,912,849	\$ (41,397,932)	\$ 119,501,186

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Income Statement

For the Nine Months Ended July 31, 2018

	Unaudited Crossroads July 31, 2018	Unaudited CPF July 31, 2018	Unaudited Crossroads Consolidated July 31, 2018
Revenue:			
Interest income	\$ -	\$ 6,243,996	\$ 6,243,996
Property sales	-	15,223,984	15,223,984
Other revenue	(212,878)	201,508	(11,370)
Total revenue	(212,878)	21,669,489	21,456,611
Cost of revenue:			
Interest expense	-	2,478,794	2,478,794
Cost of properties sold	-	11,731,819	11,731,819
Other cost of revenue	3,430	-	3,430
Total cost of revenue	3,430	14,210,613	14,214,044
Gross Profit	(216,309)	7,458,876	7,242,567
Operating expenses:			
General and administrative	846,724	969,268	1,815,992
Salaries and wages	854,867	1,657,119	2,511,985
Total operating expenses	1,701,590	2,626,386	4,327,977
Income (Loss) from operations	(1,917,899)	4,832,489	2,914,590
Other income (expense):			
Interest (expense) income	(809,622)	-	(809,622)
State income tax expense	-	-	-
Net Income (Loss)	\$ (2,727,521)	\$ 4,832,489	\$ 2,104,968

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Income Statement

For the Quarter Ended July 31, 2018

	Unaudited Crossroads July 31, 2018	Unaudited CPF July 31, 2018	Unaudited Crossroads Consolidated July 31, 2018
Revenue:			
Interest income	\$ -	\$ 2,607,992	\$ 2,607,992
Property sales	-	5,838,500	5,838,500
Other revenue	(224,960)	51,026	(173,934)
Total revenue	(224,960)	8,497,518	8,272,558
Cost of revenue:			
Interest expense	-	1,175,319	1,175,319
Cost of properties sold	-	4,491,483	4,491,483
Other cost of revenue	-	-	-
Total cost of revenue	-	5,666,802	5,666,802
Gross Profit	(224,960)	2,830,716	2,605,756
Operating expenses:			
General and administrative	(33,737)	287,860	254,123
Salaries and wages	118,193	691,322	809,516
Total operating expenses	84,456	979,182	1,063,638
Income (Loss) from operations	(309,416)	1,851,534	1,542,117
Other income (expense):			
Interest (expense) income	(323,155)	-	(323,155)
State income tax expense	-	-	-
Net Income (Loss)	\$ (632,571)	\$ 1,851,534	\$ 1,218,963

**Unaudited Fiscal Second Quarter 2018
Shareholder Report for
The Three Months Ended
July 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

5,979,994 Shares Issued and Outstanding as of July 2, 2018

Dear Shareholder:

The third quarter brought some important recognition of our social enterprise and its importance to our customers and communities we serve. Capital Plus Financial (CPF) was recognized by B Corp as one of the Best for World 2018 for its commitment to our customers. Additionally, D CEO Magazine announced it was one of three finalists for best mid-size Latino business in North Texas.

As stated in prior quarters, management is focused on settling all legacy operations and expenses of Crossroads. To that end, the settlement announced with Dot Hill and continued reduction of holding company ongoing expenses were important steps in this direction.

CPF celebrated a major milestone as we surpassed \$100MM in mortgage notes held on our balance sheet. For the third quarter, CPF generated \$2.6 million in interest income from its \$101 million fixed rate conventional mortgage portfolio and \$5.8 million sales from the sale of properties in low to moderate income census tracts. Sales for the quarter reflect seasonality typically found in home sale cycles. Thus, the reduction in home sales for the quarter is expected and the company's quarters will reflect typical seasonal trends for the industry. The operating income for the quarter was \$2.6 million. CPF's unadjusted leverage was 2.53x at July 31, 2018, and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses for the same period, was 1.86x.

CPF applied for the FY 2018 CDFI Fund Bond Guarantee Program by the July 12, 2018 application deadline. We encourage any shareholders to read more about this incredible program on the CDFI Fund's website – www.cdfifund.gov. CPF has also applied for membership into the Federal Home Loan Bank system cooperative of eligible banks, credit unions, savings institutions, CDFIs and insurance companies. As a member, the company would have access to competitively priced financing and other banking services. Moreover, the partnership is a perfect fit given the synergistic missions of each institution.

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 July 31, 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.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly