



Crossroads Systems Reports Fiscal Second Quarter 2019 Financial Results

DALLAS, Texas, June 13, 2019 – 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 second quarter ended April 30, 2019.

The overall performance for the quarter was in line with expectations. Portfolio growth remained in line with historical growth. Additionally, to increase the availability of affordable housing in our markets, a concerted effort was made to acquire more inventory which has skewed the cost of goods figures to sales as those homes make their way through the system to their ultimate sale.

The company, as did much of Texas, faced weather challenges in March and April which resulted in delays related to remodels which impacted inventory for sale.

Fiscal Q2 2019 Financial Highlights

- Total property sales income was \$7.4 million for the quarter and remained flat to the comparative period of 2018
- Total interest income was \$2.9 million up from \$2.4 million from the comparative period of 2018
- Operating income of \$1.4 million, up from \$1.3 million for the comparative period of 2018
- Earnings per share of \$0.23 compared to earnings per share of \$0.22 for the comparative period of 2018
- Held 108 properties in inventory compared to 58 at the same time in 2018
- Added \$6.4 million in new single-family mortgages during the quarter
- Tangible Net Book Value of \$32.2 million
- Cash balance of \$904,000

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "We are pleased to announce another consistent quarter of community impact, loan growth and profitability. As a social enterprise focused on double bottom line results, our unwavering commitment to improving communities, realizing the dream of homeownership for thousands of deserving borrowers while building shareholder value remains the balanced focus of our business. Conscious capitalism works and has a place in public markets."

Recent developments

During the second quarter, CPF successfully completed the annual recertification with the Community Development Financial Institution Fund ("CDFI Fund"). In addition, CPF had a site visit from the Bond Guaranty Program ("BGP") which it applied for in February. CPF plans to refinance its existing debt with the BGP which will allow the Company to better serve its mission.

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)

April 30,
2019

ASSETS

Current assets:		
Cash and cash equivalents	\$	904
Restricted Cash		1,279
Accounts receivable, net		1,006
Current portion of mortgage notes receivable		1,033
Inventories		10,041
Prepays and other current assets		335
Total current assets		14,599
Mortgage Notes Receivable		115,183
Goodwill		18,567
Deferred tax asset		21,401
Other non-current assets		419
Total assets	\$	170,168

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$	475
Accrued expenses		664
Escrow liabilities		1,222
Current portion of senior secured credit facilities		61,829
Current portion of other note payable		168
Current portion of acquisition note payable		2,495
Total current liabilities		66,853
Senior secured credit facilities, net		40,865
Acquisition debt, net		11,644
Total liabilities		119,362
Stockholders' equity		50,806
Total liabilities and stockholders' equity	\$	170,168

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

		For the three months ended April 30, 2019
Revenue:		
Interest income	\$	2,948
Property sales		7,438
Other revenue		66
Total revenue		10,452
Cost of revenue:		
Interest expense		1,602
Cost of properties sold		6,178
Total cost of revenue		7,779
Gross profit		2,673
Operating expenses:		
General and administrative		419
Salaries and wages		629
Total operating expenses		1,048
Income (loss) from operations		1,625
Other income (expense):		
Interest (expense) income		(269)
Other (expense) income		-
Income before provision for income taxes		1,356
Income tax provision		(203)
Net Income (loss)	\$	1,154

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

For the six months ended
April 30, 2019

Revenue:		
Interest income	\$	5,796
Property sales		11,754
Other revenue		112
Total revenue		17,662
Cost of revenue:		
Interest expense		2,993
Cost of properties sold		9,856
Total cost of revenue		12,849
Gross profit		4,813
Operating expenses:		
General and administrative		832
Salaries and wages		1,366
Total operating expenses		2,198
Income (loss) from operations		2,615
Other income (expense):		
Interest (expense) income		(569)
Other (expense) income		-
Income before provision for income taxes		2,046
Income tax provision		(264)
Net Income (loss)	\$	1,782

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

**For the six
months ended
April 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	1,782
Adjustments to reconcile net income to net cash used in operating activities:	
Stock compensation	(2)
Gain on derivative related activity	(155)
Amortization of deferred financing fees	11
Provision for income taxes	-
Changes in operating assets and liabilities:	
Interest receivable	(275)
Notes receivable	(7,193)
Inventories	(2,553)
Prepays and other assets	176
Accounts payable	683
Accrued and other liabilities	(301)
Escrow liabilities	(1,311)
Net cash used in operating activities	(9,138)

CASH FLOWS FROM INVESTING ACTIVITIES

Restricted cash	1,263
Net cash used in investing activities	1,263

CASH FLOWS FROM FINANCING ACTIVITIES

Preferred equity contributions	2,500
Preferred equity dividend distributions	(294)
Borrowings on credit facilities, net	8,351
Principal payments on credit facilities	(840)
Principal payments on other notes payable	(82)
Principal payments on acquisition note payable	(3,180)
Net cash provided by financing activities	6,455
Net change in cash and cash equivalents	(1,420)
Cash and cash equivalents at beginning of the year	2,324
Cash and cash equivalents at end of the year	904

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 3,297
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CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Balance Sheet

As of April 30, 2019

	Unaudited Crossroads April 30, 2019	Unaudited CPF April 30, 2019	Unaudited Elimination Entries April 30, 2019	Unaudited Consolidated April 30, 2019
ASSETS				
Current assets:				
Cash and cash equivalents	25,145	879,097	-	904,241
Restricted cash	-	1,279,273	-	1,279,273
Accounts receivable, net	-	1,006,308	-	1,006,308
Inventories	-	10,041,043	-	10,041,043
Intercompany receivable	3,143,910	16,494,943	(19,638,853)	-
Prepays and other current assets	206,541	44,242	-	250,784
Earnest money deposits	-	84,390	-	84,390
Mortgage notes receivable (residential)	-	114,194,803	-	114,194,803
Discount on notes receivables acquired	-	(3,825)	-	(3,825)
Mortgage notes receivable (Commerical property)	-	2,024,641	-	2,024,641
Total current assets	3,375,596	146,044,915	(19,638,853)	129,781,658
Property and equipment, net	-	24,540	-	24,540
Investment in subsidiaries	13,386,175	-	(13,386,175)	-
Goodwill	18,566,966	-	-	18,566,966
Other assets	200,649	193,573	-	394,222
Deferred tax asset	21,400,797	-	-	21,400,797
Total assets	\$ 56,930,183	\$ 146,263,028	\$ (33,025,027)	\$ 170,168,184
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	204	474,429	-	474,633
Accrued and other current liabilities	226,104	438,138	-	664,242
Escrow liabilities	-	1,221,990	-	1,221,990
Due to subsidiaries	16,494,943	-	(16,494,943)	-
Revolving line of credit, inventory	-	8,326,953	-	8,326,953
Revolving line of credit, mortgage notes (current maturities)	-	55,226,997	(1,724,723)	53,502,274
Current portion of other note payable	-	-	168,071	168,071
Current portion of acquisition note payable	-	-	2,495,160	2,495,160
Payroll liabilities	-	-	-	-
Total current liabilities	16,721,251	65,688,507	(15,556,435)	66,853,323
Senior secured term notes (long-term)	-	39,140,036	1,724,723	40,864,759
Acquisition debt (long-term)	14,139,287	-	(2,495,160)	11,644,127
Total liabilities	30,860,538	104,828,544	(16,326,872)	119,362,210
Stockholders' equity:				
Total participating payables	-	156,688	-	156,688
Total preferred equity investment	-	18,051,781	-	18,051,781
Total subordinated debt	2,199,377	1,600,295	(168,071)	3,631,601
Members equity in CPF	-	18,846,554	-	18,846,554
Common stock	5,972	-	-	5,972
Additional paid-in capital	242,361,362	-	(13,351,925)	229,009,437
(Accumulated deficit)/Retained Earnings	(217,499,406)	-	(3,178,160)	(220,677,566)
Current year net (loss) income	(997,660)	2,779,167	-	1,781,506
Total stockholders' equity (deficit)	26,069,645	41,434,485	(16,698,156)	50,805,973
Total liabilities and stockholders' equity (deficit)	\$ 56,930,183	\$ 146,263,028	\$ (33,025,028)	\$ 170,168,183

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Income Statement

For the Quarter Ended April 30, 2019

	Unaudited Crossroads April 30, 2019	Unaudited CPF April 30, 2019	Unaudited Consolidated April 30, 2019
Revenue:			
Interest income	\$ -	\$ 2,947,604	\$ 2,947,604
Property sales	-	7,438,400	7,438,400
Other revenue		66,490	66,490
Total revenue	-	10,452,494	10,452,494
Cost of revenue:			
Interest expense	-	1,601,854	1,601,854
Cost of properties sold	-	6,177,597	6,177,597
Total cost of revenue	-	7,779,451	7,779,451
Gross Profit	-	2,673,043	2,673,043
Operating expenses:			
General and administrative	74,622	344,265	418,887
Salaries and wages	-	628,802	628,802
Total operating expenses	74,622	973,067	1,047,689
Income (Loss) from operations	(74,622)	1,699,976	1,625,354
Other income (expense):			
Interest (expense) income	(268,989)	-	(268,989)
Other (expense) income	-	-	-
Total other income (expense)	(268,989)	-	(268,989)
Income before provision for income taxes	(343,611)	1,699,976	1,356,365
Income tax provision	(202,763)	-	(202,763)
Net Income (Loss)	\$ (546,374)	\$ 1,699,976	\$ 1,153,602

CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Income Statement
For the Six Months Ended April 30, 2019

	Crossroads April 30, 2019	CPF April 30, 2019	Consolidated April 30, 2019
Revenue:			
Interest income	\$ -	\$ 5,796,261	\$ 5,796,261
Property sales	-	11,753,503	11,753,503
Other revenue	-	112,094	112,094
Total revenue	-	17,661,859	17,661,859
Cost of revenue:			
Interest expense	-	2,992,878	2,992,878
Cost of properties sold	-	9,855,743	9,855,743
Total cost of revenue	-	12,848,621	12,848,621
Gross Profit	-	4,813,238	4,813,238
Operating expenses:			
General and administrative	163,913	667,787	831,700
Salaries and wages	-	1,366,285	1,366,285
Total operating expenses	163,913	2,034,071	2,197,984
Income (Loss) from operations	(163,913)	2,779,167	2,615,254
Other income (expense):			
Interest (expense) income	(569,258)	-	(569,258)
Other (expense) income	-	-	-
Total other income (expense)	(569,258)	-	(569,258)
Income before provision for income taxes	(733,171)	2,779,167	2,045,995
Income tax provision	(264,489)		(264,489)
Net Income (Loss)	\$ (997,660)	\$ 2,779,167	\$ 1,781,506

**Unaudited Fiscal Second Quarter 2019
Shareholder Report for
The Three Months Ended
April 30, 2019**

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

5,971,994 Shares Issued and Outstanding as of April 30, 2019

Dear Shareholder:

We are pleased to announce another quarter of community impact and profitability. While Texas experienced a very wet March and April which slowed down the pace of remodeling and homes ready for sale, we are quite confident that the increased number of homes in the pipeline for remodel and ultimately for sale will meet our mission of impacting more people in more communities we serve at an affordable price and will deliver scale.

Portfolio performance continues to be strong validating the creditworthiness of unbanked and underbanked borrowers. The impact that our affordable home and credit product has made on the lives of thousands of deserving families should hopefully make your investment in our public social enterprise all the more rewarding as we not only build value for your investment but transform the lives of those seeking upward mobility.

As previously stated, we are proud to serve alongside our fellow CDFIs in the change we all make in the communities we serve. To that end, we are collaborating with another area CDFI to help scale that business. Additionally, a site visit from the CDFI Bond Guarantee Program was completed this quarter for the application CPF made earlier in the year. CPF through its Crossroads ownership is the first publicly traded CDFI BGP applicant, making CPF a unique candidate. We hope to be a model for other CDFIs to access public markets and bring awareness to the incredible work the industry does. We believe strongly that conscious capitalism and a balance between impact and profitability and sustainability has a place in public markets.

CPF's outstanding mortgage balance portfolio continued to grow at its historical pace and is currently at \$114 million. For the second quarter, CPF generated \$2.9 million in interest income from its \$114 million fixed-rate conventional mortgage portfolio and \$7.4 million in sales income from the sale of properties in low to moderate income census tracts. The consolidated operating income for the quarter was approximately \$1.4 million before accruing for a non-cash tax provision of \$203,000. The net income after the provision was \$1.2 million. Note the Company offsets this provision against its deferred tax asset of \$21.6 million. At April 30, 2019, CPF's unadjusted leverage was 2.53x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses, was 2.64x.

The financials are presented on a consolidated basis. The expenses at the holding company (Crossroads) level have been reduced to essential operating expenses and interest expense on the original acquisition loan. We continue to focus on impacting

communities and delivering long term shareholder value while operating at efficiency expense ratios.

We thank you for your continued support of our mission.

Saludos cordiales,

Robert H. Alpert & Eric A. Donnelly