



## **Crossroads Systems Reports Fiscal Third Quarter 2019 Financial Results**

**DALLAS, Texas, September 12, 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 third quarter ended July 31, 2019.

The overall performance for the quarter was consistent with expectations. Portfolio growth remained in line with historical growth. The results of additional homes in inventory converting to additional sales volume has begun and updates will continue to be made on this initiative.

For the second year in a row, Capital Plus Financial (CPF) was recognized by the B Corporation for the company's commitment to its customers with the Best for World Honoree.

CPF also completed its first Impact Assessment. The full report can be found on the website and we encourage shareholders and prospective investors to review the impact investment dollars are supporting.

### **Fiscal Q3 2019 Financial Highlights**

- Total property sales income was \$7.0 million for the quarter compared to \$5.8 million for the comparative period of 2018
- Total interest income was \$3.0 million up from \$2.6 million from the comparative period of 2018
- Operating income of \$1.3 million, up from \$1.2 million for the comparative period of 2018
- Cash earnings<sup>1</sup> per share \$0.22 compared \$0.20 for the comparative period of 2018
- Held 137 properties in inventory compared to 63 at the same time in 2018
- Added \$7.0 million in new single-family mortgages during the quarter
- Book Value of \$51.8 million or \$8.68 per share
- Cash balance of \$834,000

<sup>1</sup>Cash earnings represent net income before non-cash expenses.

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "We are honored to be recognized with our fellow B Corporations for our commitment to our customers. We recognize that true impact can only grow with assessing each of our metrics and as such, we are proud to unveil CPF's first formal impact assessment completed this quarter. This will be an annual report as part of our ongoing commitment to our stakeholders. Our continued profitability along with our community impact should make our shareholders proud of their investment."

## **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><br><u>2019</u> |
|---|--------------------------------|
| <b>ASSETS</b>                                       |                                |
| Current assets:                                     |                                |
| Cash and cash equivalents                           | \$ 834                         |
| Restricted Cash                                     | 1,742                          |
| Accounts receivable, net                            | 840                            |
| Current portion of mortgage notes receivable        | 1,479                          |
| Inventories   | 11,672                         |
| Prepays and other current assets                    | 409                            |
| Total current assets                                | <u>16,976</u>                  |
| Mortgage Notes Receivable                           | 118,930                        |
| Goodwill  | 18,567                         |
| Deferred tax asset                                  | 21,262                         |
| Other non-current assets                            | 305                            |
| Total assets  | <u><u>\$ 176,039</u></u>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>         |                                |
| Current liabilities:                                |                                |
| Accounts payable                                    | \$ 232                         |
| Accrued expenses                                    | 571                            |
| Escrow liabilities                                  | 1,804                          |
| Current portion of senior secured credit facilities | 63,052                         |
| Current portion of other note payable               | 168                            |
| Current portion of acquisition note payable         | 2,495                          |
| Total current liabilities                           | <u>68,323</u>                  |
| Senior secured credit facilities, net               | 44,851                         |
| Acquisition debt, net                               | 11,020                         |
| Total liabilities                                   | <u>124,194</u>                 |
| Stockholders' equity                                | 51,844                         |
| Total liabilities and stockholders' equity          | <u><u>\$ 176,039</u></u>       |

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

|  | For the three months ended<br><u>July 31, 2019</u> |
|--|--|
| Revenue:                                 |  |
| Interest income                          | \$ 3,030   |
| Property sales                           | 6,966  |
| Other revenue                            | 233  |
| Total revenue                            | <u>10,228</u>                                      |
| Cost of revenue:                         |  |
| Interest expense                         | 1,623  |
| Cost of properties sold                  | 5,745  |
| Total cost of revenue                    | <u>7,368</u>                                       |
| Gross profit                             | <u>2,861</u>                                       |
| Operating expenses:                      |  |
| General and administrative               | 574  |
| Salaries and wages                       | 703  |
| Total operating expenses                 | <u>1,277</u>                                       |
| Income (loss) from operations            | 1,584  |
| Other income (expense):                  |  |
| Interest (expense) income                | (255)  |
| Other (expense) income                   | -  |
| Income before provision for income taxes | <u>1,329</u>                                       |
| Income tax provision                     | (139)  |
| Net Income (loss)                        | <u>\$ 1,190</u>                                    |

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

|  |    | For the nine months ended<br>July 31, 2019 |
|--|----|--|
| Revenue:                                 |    |  |
| Interest income                          | \$ | 8,826                                      |
| Property sales                           |    | 18,720                                     |
| Other revenue                            |    | 345  |
| Total revenue                            |    | 27,890                                     |
| Cost of revenue:                         |    |  |
| Interest expense                         |    | 4,615                                      |
| Cost of properties sold                  |    | 15,601                                     |
| Total cost of revenue                    |    | 20,216                                     |
| Gross profit                             |    | 7,674                                      |
| Operating expenses:                      |    |  |
| General and administrative               |    | 1,406                                      |
| Salaries and wages                       |    | 2,069                                      |
| Total operating expenses                 |    | 3,475                                      |
| Income (loss) from operations            |    | 4,199                                      |
| Other income (expense):                  |    |  |
| Interest (expense) income                |    | (824)                                      |
| Other (expense) income                   |    | -  |
| Income before provision for income taxes |    | 3,375                                      |
| Income tax provision                     |    | (404)                                      |
| Net Income (loss)                        | \$ | 2,971                                      |

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

**For the nine  
months ended  
July 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |          |
|---|----------|
| Net income  | 2,971    |
| 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   | (108)    |
| Notes receivable  | (11,386) |
| Inventories   | (4,183)  |
| Prepays and other assets  | 216      |
| Accounts payable  | 579      |
| Accrued and other liabilities   | (343)    |
| Escrow liabilities  | (729)    |
| Net cash used in operating activities   | (13,128) |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                       |     |
|---------------------------------------|-----|
| Restricted cash                       | 800 |
| Net cash used in investing activities | 800 |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|  |         |
|--|---------|
| Preferred equity contributions                     | 2,500   |
| Preferred equity dividend distributions            | (455)   |
| Borrowings on credit facilities, net               | 12,721  |
| Principal payments on credit facilities            | -       |
| Principal payments on other notes payable          | (125)   |
| Principal payments on acquisition note payable     | -       |
| Net cash provided by financing activities          | (3,804) |
|  | 10,838  |
| Net change in cash and cash equivalents            |         |
| Cash and cash equivalents at beginning of the year | (1,490) |
| Cash and cash equivalents at end of the year       | 2,324   |
|  | 834     |

**SUPPLEMENTAL INFORMATION**

|                        |          |
|------------------------|----------|
| Cash paid for interest | \$ 5,175 |
|------------------------|----------|

**CROSSROADS SYSTEMS, INC.**

Supplemental Schedule - Unaudited Consolidated Balance Sheet

As of July 31, 2019

|   | Unaudited<br>Crossroads<br>July 31, 2019 | Unaudited<br>CPF<br>July 31, 2019 | Unaudited<br>Elimination Entries<br>July 31, 2019 | Unaudited<br>Consolidated<br>July 31, 2019 |
|---|--|-----------------------------------|---|--|
| <b>ASSETS</b>   |  |                                   |   |  |
| Current assets:   |  |                                   |   |  |
| Cash and cash equivalents                                     | 30,620                                   | 803,148                           | -   | 833,768                                    |
| Restricted cash   | -  | 1,741,777                         | -   | 1,741,777                                  |
| Accounts receivable, net                                      | -  | 839,798                           | -   | 839,798                                    |
| Inventories   | -  | 11,671,759                        | -   | 11,671,759                                 |
| Intercompany receivable                                       | 3,143,910                                | 17,614,943                        | (20,758,853)                                      | (0)  |
| Prepays and other current assets                              | 189,199                                  | 141,375                           | -   | 330,574                                    |
| Earnest money deposits  | -  | 78,890                            | -   | 78,890                                     |
| Mortgage notes receivable (residential)                       | -  | 118,662,328                       | -   | 118,662,328                                |
| Discount on notes receivables acquired                        | -  | (3,825)                           | -   | (3,825)                                    |
| Mortgage notes receivable (Commerical property)               | -  | 1,750,435                         | -   | 1,750,435                                  |
| <b>Total current assets</b>                                   | <b>3,363,729</b>                         | <b>153,300,628</b>                | <b>(20,758,853)</b>                               | <b>135,905,504</b>                         |
| 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  | 190,789                                  | 89,238                            | -   | 280,027                                    |
| Deferred tax asset  | 21,261,756                               | -                                 | -   | 21,261,756                                 |
| Total assets  | <b>\$ 56,769,415</b>                     | <b>\$ 153,414,407</b>             | <b>\$ (34,145,028)</b>                            | <b>\$ 176,038,794</b>                      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                   |  |                                   |   |  |
| Current liabilities:  |  |                                   |   |  |
| Accounts payable  | 204                                      | 231,747                           | -   | 231,951                                    |
| Accrued and other current liabilities                         | 174,042                                  | 397,223                           | -   | 571,265                                    |
| Escrow liabilities  | -  | 1,804,094                         | -   | 1,804,094                                  |
| Due to subsidiaries   | 17,614,943                               | -                                 | (17,614,943)                                      | (0)  |
| Revolving line of credit, inventory                           | -  | 10,237,389                        | -   | 10,237,389                                 |
| Revolving line of credit, mortgage notes (current maturities) | -  | 54,539,620                        | (1,724,723)                                       | 52,814,897                                 |
| Current portion of other note payable                         | -  | -                                 | 168,071   | 168,071                                    |
| Current portion of acquisition note payable                   | -  | -                                 | 2,495,160   | 2,495,160                                  |
| Payroll liabilities   | -  | -                                 | -   | -  |
| <b>Total current liabilities</b>                              | <b>17,789,189</b>                        | <b>67,210,072</b>                 | <b>(16,676,435)</b>                               | <b>68,322,826</b>                          |
| Senior secured term notes (long-term)                         | -  | 43,126,464                        | 1,724,723   | 44,851,187                                 |
| Acquisition debt (long-term)                                  | 13,515,495                               | -                                 | (2,495,160)                                       | 11,020,335                                 |
| <b>Total liabilities</b>                                      | <b>31,304,684</b>                        | <b>110,336,536</b>                | <b>(17,446,872)</b>                               | <b>124,194,348</b>                         |
| Stockholders' equity:   |  |                                   |   |  |
| Total participating payables                                  | -  | 156,433                           | -   | 156,433                                    |
| Total preferred equity investment                             | -  | 18,051,781                        | -   | 18,051,781                                 |
| Total subordinated debt                                       | 2,199,377                                | 1,557,942                         | (168,071)   | 3,589,248                                  |
| Members equity in CPF   | -  | 18,738,016                        | -   | 18,738,016                                 |
| 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                                | (1,602,575)                              | 4,573,698                         | -   | 2,971,123                                  |
| Total stockholders' equity (deficit)                          | <b>25,464,730</b>                        | <b>43,077,871</b>                 | <b>(16,698,156)</b>                               | <b>51,844,445</b>                          |
| Total liabilities and stockholders' equity (deficit)          | <b>\$ 56,769,415</b>                     | <b>\$ 153,414,407</b>             | <b>\$ (34,145,028)</b>                            | <b>\$ 176,038,793</b>                      |

**CROSSROADS SYSTEMS, INC.****Supplemental Schedule - Unaudited Consolidated Income Statement****For the Quarter Ended July 31, 2019**

|  | <b>Crossroads<br/>July 31, 2019</b> | <b>CPF<br/>July 31, 2019</b> | <b>Consolidated<br/>July 31, 2019</b> |
|--|-------------------------------------|------------------------------|---------------------------------------|
| Revenue:                                 |                                     |                              |                                       |
| Interest income                          | \$ -                                | \$ 3,029,581                 | \$ 3,029,581                          |
| Property sales                           | -                                   | 6,966,000                    | 6,966,000                             |
| Other revenue                            |                                     | 232,902                      | 232,902                               |
| Total revenue                            | -                                   | 10,228,482                   | 10,228,482                            |
| Cost of revenue:                         |                                     |                              |                                       |
| Interest expense                         | -                                   | 1,622,559                    | 1,622,559                             |
| Cost of properties sold                  | -                                   | 5,745,208                    | 5,745,208                             |
| Other cost of revenue                    |                                     | -                            | -                                     |
| Total cost of revenue                    | -                                   | 7,367,767                    | 7,367,767                             |
| Gross Profit                             | -                                   | 2,860,715                    | 2,860,715                             |
| Operating expenses:                      |                                     |                              |                                       |
| General and administrative               | 210,855                             | 363,180                      | 574,035                               |
| Salaries and wages                       | -                                   | 703,004                      | 703,004                               |
| Total operating expenses                 | 210,855                             | 1,066,184                    | 1,277,039                             |
| Income (Loss) from operations            | (210,855)                           | 1,794,531                    | 1,583,676                             |
| Other income (expense):                  |                                     |                              |                                       |
| Interest (expense) income                | (255,018)                           | -                            | (255,018)                             |
| Other (expense) income                   | -                                   | -                            | -                                     |
| Total other income (expense)             | (255,018)                           | -                            | (255,018)                             |
| Income before provision for income taxes | (465,873)                           | 1,794,531                    | 1,328,658                             |
| Income tax provision                     | (139,041)                           | -                            | (139,041)                             |
| Net Income (Loss)                        | \$ (604,914)                        | \$ 1,794,531                 | \$ 1,189,617                          |

# CROSSROADS SYSTEMS, INC.

Supplemental Schedule - Unaudited Consolidated Income Statement  
For the Nine Months Ended July 31, 2019

|  | <b>Crossroads</b>    | <b>CPF</b>           | <b>Consolidated</b>  |
|--|----------------------|----------------------|----------------------|
|  | <b>July 31, 2019</b> | <b>July 31, 2019</b> | <b>July 31, 2019</b> |
| Revenue:                                 |                      |                      |                      |
| Interest income                          | \$ -                 | \$ 8,825,841         | \$ 8,825,841         |
| Property sales                           | -                    | 18,719,503           | 18,719,503           |
| Other revenue                            | -                    | 344,996              | 344,996              |
| Total revenue                            | -                    | 27,890,341           | 27,890,341           |
| Cost of revenue:                         |                      |                      |                      |
| Interest expense                         | -                    | 4,615,437            | 4,615,437            |
| Cost of properties sold                  | -                    | 15,600,951           | 15,600,951           |
| Other cost of revenue                    | -                    | -                    | -                    |
| Total cost of revenue                    | -                    | 20,216,388           | 20,216,388           |
| Gross Profit                             | -                    | 7,673,953            | 7,673,953            |
| Operating expenses:                      |                      |                      |                      |
| General and administrative               | 374,768              | 1,030,967            | 1,405,735            |
| Salaries and wages                       | -                    | 2,069,288            | 2,069,288            |
| Total operating expenses                 | 374,768              | 3,100,255            | 3,475,023            |
| Income (Loss) from operations            | (374,768)            | 4,573,698            | 4,198,930            |
| Other income (expense):                  |                      |                      |                      |
| Interest (expense) income                | (824,277)            | -                    | (824,277)            |
| Other (expense) income                   | -                    | -                    | -                    |
| Total other income (expense)             | (824,277)            | -                    | (824,277)            |
| Income before provision for income taxes | (1,199,045)          | 4,573,698            | 3,374,653            |
| Income tax provision                     | (403,530)            |                      | (403,530)            |
| Net Income (Loss)                        | \$ (1,602,575)       | \$ 4,573,698         | \$ 2,971,123         |

**Unaudited Fiscal Third Quarter 2019  
Shareholder Report for  
The Three Months Ended  
July 31, 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 July 31, 2019**

Dear Shareholder:

We are pleased to announce a profitable third quarter and recognition again by B Corporation as a 2019 Honoree Best for World Customers for our commitment to those we are fortunate to serve. Additionally, we completed our first Impact Assessment which will be an annual report to our stakeholders to highlight our impact metrics. As a social enterprise, we are ever mindful of profitability to our shareholders and impact to our communities. We hope you will agree that we are making great strides in both and that you can be proud of your investment in us.

Net mortgage loan growth is \$17 million through the 3<sup>rd</sup> quarter, well within growth goals. We continue to push inventory levels up to increase the number of homes we can provide to the communities we serve. To that end, we are pleased to report that our first homes in the Rio Grande Valley (McAllen area) have been sold and we look forward to additional volume from this market and will continue to update you on this progress.

CPF's outstanding mortgage balance portfolio continued to grow at its historical pace and is currently at \$118.5 million. For the third quarter, CPF generated \$3.0 million in interest income from its \$118.5 million fixed-rate conventional mortgage portfolio and \$7.0 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 \$1.3 million before accruing for a non-cash tax provision of \$135,000. The net income after the provision was \$1.2 million. Note the Company offsets this provision against its deferred tax asset of \$21.3 million. At July 31, 2019, CPF's unadjusted leverage was 2.56x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses, was 3.12x.

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