



Crossroads Systems Reports Fiscal First Quarter 2020 Financial Results

DALLAS, Texas, March 5, 2020 – Crossroads Systems, Inc. (OTCQB: CRSS), a holding company focused on investing in businesses that promote economic vitality and community development, reported financial results for its fiscal first quarter ended January 31, 2020.

The company continues to consistently demonstrate increased earnings period over period since current management's transformation of CRSS a little over two years ago. Asset quality remains strong and demand for affordable housing in Texas continues to be robust. With the strength of the Texas economy strong, the company has ample in market room for more growth and impact.

Fiscal Q1 2020 Financial Highlights

- Total property sales income was \$4.2 million for the quarter compared to \$4.3 million for the comparative period of 2019
- Total interest income was \$3.2 million up from \$2.8 million from the comparative period of 2019. The mortgage portfolio grew to \$123.3 million from \$110.4 million for the comparative period of 2019
- Operating income of \$1.1 million, up from \$690,000 for the comparative period of 2019
- Cash EPS (operating income less income to non-controlling interests) increased to \$0.16 from \$0.09 for the comparative period of 2019
- Held 134 properties in inventory compared to 103 at the same time in 2019
- Added \$4.5 million in new single-family mortgages during the quarter
- Book Value as reported of \$48.2 million or \$8.06 per share. The book value with subordinated debt of \$3.5 million totals \$51.8 million or \$8.67 per share
- Cash balance of \$413,000

Eric A. Donnelly, Chief Executive Officer at Crossroads Systems, said, "We are proud of the 60% increase to earnings year over year and over 70% cash EPS for the same period comparison. It's a testament to our team and the efficiency with which we run the company in order to maximize social and financial impact. As we begin year 3 of our journey in running a public social enterprise, we're reminded of how fortunate we are to

have an incredible community of borrowers who are realizing the dream of homeownership and are making meaningful contributions to the Texas economy.”

About Crossroads Systems

Crossroads Systems, Inc. (OTCQB: 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
AS OF JANUARY 31, 2020 AND OCTOBER 31, 2019

ASSETS	January 31, 2020	October 31, 2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 412,992	\$ 1,656,114
Restricted cash	623,747	2,583,057
Interest receivable	1,319,349	893,343
Current portion of notes receivable	1,380,352	1,447,842
Current portion of other notes receivable	89,918	339,429
Inventory	13,056,189	11,796,430
Prepaid expenses and other current assets	294,941	351,547
Total current assets	17,177,487	19,067,762
NOTES RECEIVABLE, net of current maturities and allowance of \$0	116,991,740	115,435,031
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	6,499,846	6,463,049
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	19,548,954	19,680,324
OTHER NON-CURRENT ASSETS	42,886	36,083
TOTAL ASSETS	\$ 178,827,880	\$ 179,249,215
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 267,436	\$ 289,230
Accrued liabilities	490,442	609,546
Escrow liabilities	440,335	2,646,581
Current portion of credit facilities	58,384,100	66,167,346
Current portion of other note payable (subordinated)	135,579	179,327
Current portion of acquisition notes payable	1,871,378	2,495,168
Total current liabilities	61,589,270	72,387,198
CREDIT FACILITIES, net of current maturities	54,949,201	45,608,430
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,335,571	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated)	12,429,611	12,418,163
OTHER LONG-TERM LIABILITIES	370,322	156,049
TOTAL LIABILITIES	130,673,976	131,905,411
EQUITY		
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	5,972
Additional paid in capital	242,357,163	242,358,843
Accumulated deficit	(212,262,737)	(213,074,517)
Crossroads Systems, Inc. stockholders' equity	30,100,398	29,290,298
Non-controlling interests	18,053,506	18,053,506
TOTAL EQUITY	48,153,904	47,343,804
TOTAL LIABILITIES AND EQUITY	\$ 178,827,880	\$ 179,249,215

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JANUARY 31, 2020 AND 2019

	For the Three Months Ended		Increase/(Decrease)	
	January 31, 2020	January 31, 2019	\$	%
REVENUES				
Interest income	\$ 3,179,853	2,848,662	\$ 331,192	11.6%
Property sales	4,180,400	4,315,103	(134,703)	-3.1%
Other revenue	284,321	45,600	238,722	523.5%
Total revenues	7,644,575	7,209,365	435,210	6.0%
COSTS AND EXPENSES				
Interest expense	1,515,581	1,391,024	124,557	9.0%
Cost of properties sold	3,669,899	3,678,146	(8,247)	-0.2%
General and administrative	471,810	412,768	59,042	14.3%
Salaries and wages	673,464	737,483	(64,019)	-8.7%
Total costs and expenses	6,330,753	6,219,421	111,333	1.8%
Income from operations	1,313,821	989,944	323,877	32.7%
OTHER EXPENSES				
Interest expense	(211,876)	(300,270)	88,394	-29.4%
Total other expenses	(211,876)	(300,270)	88,394	-29.4%
Income before income tax provision	1,101,945	689,674	412,271	59.8%
INCOME TAX PROVISION	(131,370)	(61,726)	(69,644)	112.8%
NET INCOME	970,575	627,948	342,627	54.6%
Less: net income attributable to non-controlling interests	(158,795)	(136,740)	(22,055)	16.1%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ 811,780</u>	<u>\$ 491,208</u>	<u>\$ 320,572</u>	<u>65.3%</u>
Earnings (loss) per share:				
Cash income attributable to common shareholders	943,150	552,934	390,216	70.6%
Weighted average shares outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	<u>\$ 0.16</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>	<u>70.6%</u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED JANUARY 31, 2020 AND 2019

	<u>January 31,</u> <u>2020</u>	<u>January 31,</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 970,575	\$ 627,949
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity	(6,803)	(154,870)
Stock awards in settlement of liabilities	(1,680)	2,521
Amortization of deferred financing fees	11,450	11,450
Provision for income taxes	131,370	61,726
Changes in operating assets and liabilities:		
Interest receivable	(426,006)	(69,911)
Notes receivable	(1,276,506)	(1,429,993)
Inventory	(1,259,759)	(2,034,971)
Prepays and other assets	56,606	(28,797)
Accounts payable	(21,794)	21,955
Accrued liabilities	95,170	(271,617)
Escrow liabilities	(2,206,246)	(2,096,082)
Net cash used in operating activities	<u>(3,933,623)</u>	<u>(5,360,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	1,959,310	1,869,078
Net cash used in investing activities	<u>1,959,310</u>	<u>1,869,078</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(158,795)	(136,740)
Borrowings on credit facilities, net	5,137,946	2,434,117
Principal payments on credit facilities	(3,580,421)	-
Principal payments on other notes payable	(43,748)	(41,002)
Principal payments on acquisition note payable	(623,792)	(2,555,679)
Net cash provided by financing activities	<u>731,190</u>	<u>2,200,696</u>
Net change in cash and cash equivalents and restricted cash	<u>(1,243,122)</u>	<u>(1,290,867)</u>
Cash and cash equivalents and restricted cash at beginning of period	<u>1,656,114</u>	<u>2,323,614</u>
Cash and cash equivalents and restricted cash at end of period	<u>\$ 412,992</u>	<u>\$ 1,032,747</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 1,887,976</u>	<u>\$ 1,426,636</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET
JANUARY 31, 2020

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 27,784	\$ 385,208	\$ -	\$ 412,992
Restricted cash	-	623,747	-	623,747
Interest receivable	-	1,319,349	-	1,319,349
Current portion of notes receivable	-	1,380,352	-	1,380,352
Current portion of other notes receivable	-	89,918	-	89,918
Intercompany receivables	3,143,910	19,576,266	(22,720,176)	(0)
Inventory	-	13,056,189	-	13,056,189
Prepaid expenses and other current assets	175,284	119,657	-	294,941
Total current assets	<u>3,346,978</u>	<u>36,550,685</u>	<u>(22,720,176)</u>	<u>17,177,487</u>
NOTES RECEIVABLE, net of current maturities and allowance of \$0	-	116,991,740	-	116,991,740
OTHER NOTES RECEIVABLE, net of current maturities and allowance of \$0	0	6,499,846	-	6,499,846
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	19,548,954	-	-	19,548,954
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	-
OTHER NON-CURRENT ASSETS	-	42,886	-	42,886
TOTAL ASSETS	<u><u>\$ 54,849,073</u></u>	<u><u>\$ 160,085,157</u></u>	<u><u>\$ (36,106,351)</u></u>	<u><u>\$ 178,827,879</u></u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 9,953	\$ 257,483	\$ -	\$ 267,436
Accrued liabilities	49,012	441,430	-	490,442
Escrow liabilities	-	440,335	-	440,335
Intercompany payables	19,576,266	-	(19,576,266)	(0)
Current portion of credit facilities	-	69,556,841	(11,172,741)	58,384,100
Current portion of other note payable (subordinated debt)	-	-	135,579	135,579
Current portion of acquisition notes payable	-	-	1,871,378	1,871,378
Total current liabilities	<u>19,635,231</u>	<u>70,696,089</u>	<u>(28,742,050)</u>	<u>61,589,270</u>
CREDIT FACILITIES, net of current maturities	-	43,776,460	11,172,741	54,949,201
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,471,150	(135,579)	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities (includes \$2.2M subordinated debt)	14,300,989	-	(1,871,378)	12,429,611
OTHER LONG-TERM LIABILITIES	-	370,322	-	370,322
TOTAL LIABILITIES	<u>33,936,220</u>	<u>116,314,022</u>	<u>(19,576,266)</u>	<u>130,673,976</u>
EQUITY				
Common stock, \$0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	-	-	5,972
Additional paid in capital	242,361,362	-	(2,519)	242,358,843
Accumulated earnings (deficit)	<u>(221,454,482)</u>	<u>25,717,630</u>	<u>(16,527,566)</u>	<u>(212,264,418)</u>
Crossroads Systems, Inc. stockholders' equity	20,912,853	25,717,630	(16,530,085)	30,100,397
Non-controlling interests	-	18,053,506	-	18,053,506
TOTAL EQUITY	<u>20,912,853</u>	<u>43,771,136</u>	<u>(16,530,085)</u>	<u>48,153,903</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 54,849,073</u></u>	<u><u>\$ 160,085,157</u></u>	<u><u>\$ (36,106,351)</u></u>	<u><u>\$ 178,827,879</u></u>

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED JANUARY 31, 2020

	<u>Crossroads Systems, Inc.</u>	<u>Capital Plus Financial, LLC</u>	<u>Total</u>
REVENUES			
Interest income	\$ -	\$ 3,179,853	\$ 3,179,853
Property sales	-	4,180,400	4,180,400
Other revenue	-	284,321	284,321
Total revenues	-	7,644,575	7,644,575
COSTS AND EXPENSES			
Interest expense	-	1,515,581	1,515,581
Cost of properties sold	-	3,669,899	3,669,899
General and administrative	54,899	416,911	471,810
Salaries and wages	-	673,464	673,464
Total costs and expenses	54,899	6,275,854	6,330,753
Income (loss) from operations	(54,899)	1,368,721	1,313,821
OTHER EXPENSES			
Interest expense	(211,876)	-	(211,876)
Total other expenses	(211,876)	-	(211,876)
Income (loss) before income tax provision	(266,775)	1,368,721	1,101,945
INCOME TAX PROVISION	(131,370)	-	(131,370)
NET INCOME (LOSS)	(398,145)	1,368,721	970,575
Less: net income attributable to non-controlling interests	-	(158,795)	(158,795)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	<u>\$ (398,145)</u>	<u>\$ 1,209,926</u>	<u>\$ 811,780</u>

**Fiscal First Quarter
Shareholder Report for
The Three Months Ended
January 31, 2020**

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 January 31, 2020

Dear Shareholder:

We are happy to report that we are now trading on the OTCQB. This adds an extra layer of disclosure documents and as we continue to progress in our bank regulatory applications, we feel this is a natural progression for the company. In addition to preparing bank applications and models, the first quarter was spent ensuring we would begin our Spring sales season with enough renovated homes to meet the growing demand for affordable housing in our markets. The historically slow sales quarter did, however, provide enough good weather to meet our completion targets.

In prior years, we have been racing at this time of year to complete homes in our pipeline to be ready for the Spring sales season. A year ago, we made a concerted effort to start the process of putting more homes in our pipeline to be fully renovated at this time of year. We are very happy to report that we currently have 54 homes available for sale which equates to three months' supply of homes on the market to meet the strong demand for affordable housing in our markets. For comparison, the last two years during the same period, we had a 1 month's supply and were pressing construction crews to complete homes to keep up with demand and thus, not fully able to meet the demand of our buyers and borrowers. We look forward to a robust sales season and to updating you on the results of these efforts in second and third quarters.

Additionally, we have expanded into the South Texas (McAllen) region, one of the fastest growing in the country. We are building out a small neighborhood of new, 2,000 sf homes and are excited about being able to expand our product offering. We are careful to not step out too far on the risk curve, however, and are maintaining no more than two spec homes at a time and the majority of our new home construction projects are to prequalified, contracted buyers.

CPF's outstanding mortgage loan portfolio balance at the end of the quarter was \$123.3 million which included \$4.9 million in its higher value residential mortgages. For the first quarter, CPF generated \$3.2 million in interest income and \$4.2 million sales from the sale of properties in low to moderate income census tracts and \$284,000 in non interest income. As we plan for the bank merger consummation, we continue to look for opportunities for non-interest income to diversify the revenue stream. Again, the winter months are inventory building months vs robust home sales periods. This mirrors industry cycles. The consolidated operating income for the quarter was approximately \$1.1 million before income attributable to non-controlling interests of \$159,000 and accruing for a non-cash tax provision of \$131,000. Note the Company offsets its tax provision against its deferred tax asset of \$19.5M. The net income after the provision and before income attributable to non-controlling interest was \$812,000 compared to \$491,000 for the same period of 2019. At January 31, 2020, CPF's unadjusted leverage was 2.51x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses was 1.80x. Cash EPS (net of non controlling interest) is up over 70% year over year.

The expenses at the holding company (Crossroads) level have been reduced to essential operating expenses and interest expense on the original acquisition loan. Crossroads and CPF continue to focus on impacting communities and delivering long term shareholder value while operating at efficiency expense ratios.

We thank you for your support of our social enterprise.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly