

**Fiscal First Quarter
Shareholder Report for
the Three Months Ended
January 31, 2021**

Crossroads Systems, Inc.

Delaware **74-284664**
(State of Incorporation) (IRS Employer Identification No.)

**4514 Cole St.
Suite 1600
Dallas, TX 75205**
(Address of principal executive office)

(214) 999-0149
(Company's telephone number)

**Common Stock
\$0.001 Par Value
Trading Symbol: CRSS
Trading Market: OTCQX**

75,000,000 Common Shares Authorized

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

Dear Shareholder:

This letter is being written from the backdrop of one of the most unique and challenging weeks in recent state memory. With the worst seemingly behind us, I hope this finds you all safe and healthy. For Crossroads, we are working diligently on numerous statewide recovery initiatives.

One of the most promising indicators of economic recovery is Texas' continued red-hot housing market, which hasn't showed signs of stopping any time soon. Many of our community members work in housing and construction-related fields and have benefitted from the increased demand for labor even as economic pressures in other regions intensify.

Our typical seasonality at the start of the year was offset by record interest income generated by our rapidly expanding mortgage portfolio. We experienced a minor decrease in sales for the quarter, which was a result of staffing impacts from the ongoing COVID-19 pandemic, which unfortunately affected our workforce during the quarter. These deferrals resulted in temporarily delays in underwriting, which have substantially increased the size of our sales pipeline. Thankfully, early traction in vaccine distribution bodes well for the return to optimal operational efficiency at Capital Plus and our staff have already made considerable progress in working through opportunities in the sales funnel.

This past quarter brought with it several atypical, yet promising opportunities for us to give back to those in need. Like other CDFIs, we got a clear runway at the beginning of the rollout of second draw PPP loans, allowing us to quickly extend our support to small businesses eligible for relief. Across America, small business owners account for 46% of U.S. GDP and employ 47% of the workforce. During the pandemic, the country witnessed more than 400,000 small businesses collapse and even more on the brink of total shutdown. Small businesses have long been the heart of our country, and now more than ever is the time for us to support them as they do us. Infusing capital into these communities that we serve is not just the right moral choice—it's the right economic choice.

Understanding technological enablement would be core to a successful program. To expedite the PPP loan application process, we partnered with BlueAcorn, an online financial platform that caters directly to the same underserved communities with whom we interact daily. In the past few months, we received an extraordinary volume of loan applications. We are happy to report that as of month end February 2021, CPF has generated \$65.6MM in PPP loans with another \$6.4MM pending approval to a more than 1,200 small businesses in all parts of the country. More importantly, businesses receiving our loans employ an average of 7 employees, for an average loan of \$58k. These smaller businesses, who are often staples in local communities, have needed the most support during this time. We see it as an honor to be there for them where necessary. We will be

working diligently to process these loans in the coming quarter and expect to provide future updates on the status of these loans next quarter.

Our operating history has shown us that the need for affordable housing expands well beyond the reaches of Texas' major population centers. To that end, we made further headway on our ongoing development project in McAllen this quarter. As a reminder, we purchased land in McAllen earlier last year with the intention of developing it into about 48 single-family homes. Newer ventures like these are particularly exciting for us. We have a deeply personal understanding of the requirements that affordable housing units must meet to properly serve those in need. With the agency to develop these units as we see fit, we believe that we can maintain pricing power while exercising greater control of our inventory on a quarterly basis. Another new market for Crossroads is San Antonio, where we recently purchased a pool of rental properties. Again, while this is a departure for us, we see it as another high-value opportunity, bringing us closer with municipal partners and exposing immediately expanding the size of our market. Ultimately, we are working to convert these into affordable housing units over the coming months.

CPF's outstanding mortgage loan portfolio balance at the end of the quarter was \$130.9 million and generated \$3.3 million in interest income. Operating income for the quarter was approximately \$1.1 million before income attributable to non-controlling interests of \$158,000 and accruing for a non-cash tax provision of \$112,000. Cash income attributable to common shareholders for the fiscal first quarter was \$764,000, resulting in a cash EPS of \$0.13. When adjusting for one-time costs related to the pending acquisition as well as stock option compensation, cash EPS totals \$0.15. As of January 31, 2021, CPF's unadjusted leverage was 2.31x and the consolidated cash coverage ratio, adjusted for one-time and transaction expenses, was 1.64x.

Lastly, I would like to share that we are making very meaningful progress towards closing our proposed acquisition of Rice Bancshares. There are a few final steps that we are eagerly navigating through now, and we hope to share an update in the near future.

Now is an exciting time for CPF. Though a lot has changed in the last 12 months, we see the initial efforts by state and local partners to distribute critical aid and treatments as a positive indication of what is to come. Amid the uncertainty that many have experienced during the past year, Capital Plus has stood at the ready to our homeowners and—with the help of federal aid—the small businesses that power and define our communities.

Saludos Cordiales,

Robert H. Alpert & Eric A. Donnelly