Crossroads Systems Reports Fiscal Fourth Quarter and Fiscal Year 2021 Financial Results

Significant Progress within PPP Loan Forgiveness Efforts with Approximately 38% of 230,000 Applications Outstanding

Strategic Partnership with Enhanced Capital Group Generates Approximately $500 Million in Potential Opportunities, with $100 Million Anticipated to be Recognized within the Fiscal First Quarter

DALLAS, Texas, December 14, 2021 – Crossroads Systems, Inc. (OTCQX: CRSS) ("Crossroads" or the "Company"), a holding company focused on investing in businesses that promote economic vitality and community development, reported financial results for its fiscal fourth quarter and year ended October 31, 2021.

Fiscal Fourth Quarter and Fiscal Year 2021 Key Performance Indicators (KPIs)

- Added $3.1 million in new single-family mortgages during the fiscal fourth quarter and $16.4 million during the fiscal year 2021.
- The Company's mortgage portfolio grew to $133.1 million, up from $128.9 million for the comparative period in 2020.
- The serious delinquency rate as of the period ended October 31, 2021 was 0.81%, compared to 0.9% at the end of the same period in 2020. The Federal Home Loan Mortgage Corporation (Freddie Mac) reported a single-family serious delinquency rate of 1.32% as of the period ended October 31, 2021. The serious delinquency rate is based on the number of mortgage loans that are three monthly payments or more past due or in the process of foreclosure.
- Held 93 properties in inventory compared to 109 for the comparative period in 2020. As of October 31, 2021, gross inventory was $10.2 million compared to $10.5 million as of October 31, 2020. The Company is looking to build inventory to not only meet current demand but to also plan for renovated housing units going forward.

Fiscal Fourth Quarter 2021 Financial Highlights

- Total revenues as reported were negative at $37.8 million compared to $9.2 million in the comparative 2020 period. The decrease in total revenues was primarily due to a GAAP accounting adjustment for previously recorded origination fees associated with the Company's participation in the Paycheck Protection Program (PPP) to properly account for loans that have yet to be forgiven by the Small Business Administration (SBA). This adjustment equated to a deferral of $69 million in previously reported PPP income, which the Company expects to re-record as income in subsequent quarters as loans are forgiven. Removing PPP impact from the quarter's operations, total revenues were $8.4 million compared to $9.2 million in the comparative 2020 period.

- Total property sales income was $4.6 million for the quarter compared to $5.7 million for the same period in 2020. The decrease in property sales income for the quarter was primarily due to a lack of inventory resulting in a lower number of homes available for sale during the period.
- Total interest income increased 407% to $16.7 million, up from $3.3 million in the comparative 2020 period. The increase in interest income was the result of growth in the total mortgage note receivable portfolio during the period and the addition of PPP loans to the portfolio. Removing PPP impact from the quarter's operations, total interest income increased 15% to $3.8 million compared to $3.3 million in the comparative 2020 period.
- Operating loss was $73.8 million compared to an operating income of $1.6 million in the same period in 2020. The substantial decrease in operating income was primarily due to the GAAP accounting adjustment to previously disclosed origination fees explained above. Removing PPP impact from the quarter's operations, operating income increased 21% to $2.0 million compared to $1.6 million in the comparative 2020 period.
- Cash EPS (operating income less income to non-controlling interests) was a loss of $12.40 compared to an income of $0.22 for the comparative period in 2020. The substantial decrease in operating income was primarily due to the adjustment to previously disclosed origination fees explained above. Removing PPP impact from the quarter's operations, cash EPS increased 29% to $0.29 compared to $0.22 in the comparative 2020 period.
- Book value as reported was $6.2 million, or $1.04 per share. Adjusted book value including $1.1 million of subordinated debt totaled $7.3 million, or $1.23 per share. Without the GAAP accounting adjustment, the book value would be $75.6 million, or $12.70 per share.
- As of October 31, 2021, the Company held a cash balance of $430.4 million compared to $2.1 million as of October 31, 2020.

Fiscal Year 2021 Financial Highlights

- Total revenues increased 2,446% to $932.7 million, up from $36.6 million in the comparative 2020 period. The substantial increase in total revenues was primarily due to an increase in other revenues during the year. Removing PPP impact from the year's operations, total revenues were $34.9 million compared to $36.6 million in 2020.
- Total property sales income was $21.4 million for the fiscal year ended October 31, 2021, compared to $23.5 million in 2020. The decrease in property sales income for the year was primarily due to fewer completed homes being available for sale during the period.
- Total interest income increased 220% to $40.5 million, up from $12.6 million in 2020. The increase in interest income was the result of growth in the total mortgage note receivable portfolio during the period and the addition of PPP loans to the portfolio.

Removing PPP impact from the year's operations, total revenues increased 7% to $13.5 million compared to $12.6 million in 2020.

- Operating income increased 4,127% to $243.4 million, up from $5.8 million in 2020. The substantial increase in operating income was primarily due to origination fees associated with the Company's participation in the PPP loan program. Removing PPP impact from the year's operations, total revenues increased 8% to $6.2 million compared to $5.8 million in 2020.
- Cash EPS (operating income less income to non-controlling interests) was $36.19, which was a 4,820% increase compared to $0.74 during the same period in 2020. Removing PPP impact from the quarter's operations, cash EPS increased 17% to $0.86 compared to $0.74 in 2020. The Company booked $47.9 million of state and federal income tax expense during the period, of which only $29.2 million is payable. The Company has fully utilized its non-operating tax losses of $140 million.

Management Commentary

"Throughout the past twelve months, Crossroads has evolved from a single asset class and regional focus to a national platform with hundreds of thousands of borrowers across multiple lines of business," said Eric A. Donnelly, CEO of Crossroads Systems. "Today, our work within the PPP is nearly complete, and we are moving with full force into several new opportunities that have positioned us to make a social and financial impact on a greater level through a host of important causes. As of the end of the fourth quarter, we have completed nearly 62 percent of the approximately 230,000 loan forgiveness applications. Within our core housing and loan business, inventory is expected to remain a challenge through next year, but we are actively evaluating new markets for growth and expanding our geographic footprint to build a larger base of homes in the quarters ahead."

"Entering 2022, our business is stronger than ever. Our recently announced strategic partnerships with Enhanced Capital Group and Rise Line Business Credit have collectively enabled us to dramatically expand our reach further into impact real estate, climate financing and other small business uses. Based on the opportunities we've identified to date, we believe our relationship with Enhanced should enable us to close nearly $100 million in new deals by the end of the first quarter, with a remaining pipeline of close to $400 million. Moving forward, we plan to make it a priority to partner *with* and set an example *for* larger institutions to demonstrate the concrete ways to support diversity, combat inequality and truly make a difference for underserved communities. We will continue to champion communities that need representation and use our platform to get others involved, as we work to make a difference where it matters."

About Crossroads Systems

Crossroads Systems, Inc. (OTCQX: 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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