CROSSROADS SYSTEMS, INC

A Delaware Corporation
4514 Cole Avenue, Suite 1600
Dallas, TX 75205
(214) 999-0149
www.crossroads.com

SIC CODE: 6712

Annual Report

For the Period Ending: October 31, 2020
(the "Reporting Period")

The number of shares outstanding of our Common Stock is **5,971,994** SHARES as of OCTOBER 31, 2020.

The number of shares outstanding of our Common Stock was **5,971,994** SHARES as of JULY 31, 2020 (end of previous reporting period)

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

Part A General Company Information

Item 1) Name of the issuer and its predecessors (if any)

Crossroads Systems, Inc
Prior Symbol CRDS - Bankruptcy Plan Effective October 3, 2017;
Current CRSS: OTCQX

Item 2) Address and principal executive offices

Crossroads Systems, Inc
4514 Cole Avenue, Suite 1600
Dallas, TX 75205
(214) 999-0149
www.crossroads.com; www.capitalplusfin.com
ir@crossroads.com; info@capitalplusfin.com

Item 3) Jurisdiction and date of incorporation and organization

Delaware Corporation, Active
September 26, 1996

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☒ No: ☐

Part B Share Structure

Item 4) The exact title and class of securities outstanding

Trading symbol:	CRSS
Exact title and class of securities outstanding	Common Shares
CUSIP:	22766K103
Par or stated value:	$0.001

Item 5) Par or state value and description of security

Crossroads Systems, Inc. (OTCQX: CRSS), Amended and Restated Certificate of Incorporation authorizes the Company to issue 75,000,000 shares of Common Stock, par value $0.001 per share. As of October 31, 2020, there were 5,971,994 shares of Common Stock issued and outstanding.

A. Par or Stated Value.

Common Stock: $.001 per share

Common or Preferred Stock.

1. Common Stock dividend, voting and preemption rights: Each share of Common Stock has one vote on each matter submitted to a vote of the stockholders of the Company. Subject to the provisions of applicable law and the rights of the holders of the outstanding shares of preferred stock, if any, the holders of shares of Common Stock are entitled to receive, when and as declared by the Board of Directors of the Company, out of the assets of the Company legally available therefor, dividends or other distributions, whether payable in cash, property or securities of the Company.

2. Preferred Stock dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions: n/a
3. Other material rights of Common or Preferred Stockholders: n/a
4. Any provision in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer: The Company's charter includes a tax benefits protection provision that prohibits any transfer of the Company's shares to the extent that, as a result of such transfer, a person would become a 4.99% stockholder of the Company or the percentage stock ownership of any current 4.99% stockholder would increase.

Item 6) The number of shares or total amount of securities outstanding for each class of securities authorized

Total shares authorized:	75,000,000	as of date: October 31, 2020
Total shares outstanding:	5,971,994	as of date: October 31, 2020
Number of shares in the Public Float[1]:	2,029,592	as of date: October 31, 2020
Total number of shareholders of record:	162	as of date: October 31, 2020
Total number of shareholders of record (holding at least 100 shares):	57	as of date: October 31, 2020

Item 7) Transfer Agent

Name: American Stock Transfer & Trust Company
Phone: (866) 703-9077
Email: TCajuste@astfinancial.com

Is the Transfer Agent registered under the Exchange Act?[2] Yes: ☒ No: ☐

Part C **Business Information**

Item 8) The nature of the issuer's business.

A. Business Development.

Crossroads Systems, Inc. (OTC Pink: CRSS) was an intellectual property licensing company headquartered in Austin, Texas. Founded in 1996 as a product solutions company, Crossroads created some of the storage industry's most fundamental patents and has licensed patents to more than 50 companies since 2000. CRSS's fiscal year-end is October 31.

On August 13, 2017, the Company filed for re-organization under Chapter 11 of the Federal Bankruptcy Code (the "Plan") which had been accepted by the holders of more than 2/3 of the preferred shares of the Company. In connection with the filing, the Company entered into restructuring support agreements with 210/CRDS Investment LLC ("210") and with certain holders of the Company's series F preferred stock. Subject to the terms and conditions of the Plan and the restructuring support agreement with 210, Dallas-based 210 invested $4 million cash in the Company in exchange for shares of the reorganized Company's common stock representing approximately 49.49% of the common stock of the reorganized Company. In addition, 210 committed to provide up to $10 million of financing for the Company to use (subject to the terms and conditions of the Plan and the 210 RSA) to implement its strategy of monetizing its intellectual property assets and pursuing investments in companies that generate profit and positive cash flows, thus creating long-term shareholder value. The Plan provided for the payment of all creditor claims in full, for holders of preferred shares to receive their pro rata share of $2.7 million in cash plus 8% of the common stock of the reorganized Company, and for holders of common stock to exchange their existing shares of common stock for an equivalent number of new shares of the common stock of the reorganized Company, which shares would constitute approximately 42.51% of the outstanding shares of common stock of the reorganized Company. The Plan was approved by the Court on September 18, 2017 and effective October 3, 2017, The Company was delisted from the Nasdaq exchange to the Over-the-Counter ("OTC") Pink Sheets on September 10, 2017, 10 days after the exchange filed its Form 25.

On December 18, 2017, Crossroads Systems, Inc. closed on the acquisition of 100% of the common equity of Capital Plus Financial, LLC ("CPF"), a Texas based community development financial institution ("CDFI"), $30.8 million in cash and 49.5% or 2,955,028 of newly issued common stock. This transaction did not trigger any Change of Control, however, did grant CPF owners/management two board seats.

In November 2019, Crossroads announced it had reached a definitive agreement to purchase Rice Bankshares. The transaction will merge Capital Plus Financial and the First State Bank and create a CDFI Bank and Minority Depository Institution and expand the products and services CPF has historically offered to more traditional banking products such as deposit accounts for the underbanked and unbanked and small business loans. As of the date of this report, the Company was working through the regulatory application process.

As of the date of this report and the three preceding years, Crossroads has not been involved in any litigation. In 2018, the Company settled two outstanding legal matters dating back to 2013 and prior management and business lines since shuttered as part of the reorganization into a financial holding company. The matters were related to the Crossroads patent business and royalties owed to the Company.

Outside of the legal settlement above, Crossroads has not been in any default of a loan, lease, or other indebtedness or financing arrangement.

B. Business of Issuer.

Crossroads primary and secondary SIC Codes are 6712.

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 that supports Hispanic homeownership with a long-term, fixed-rate single-family mortgage product. CPF was acquired on December 18, 2017 and CPF management currently owns 2,955,028 shares or 49.5% of the outstanding stock.

Crossroads' primary subsidiary is Capital Plus Financial. Capital Plus was originally formed in 1992 to provide mortgage financing within the state of Texas. Throughout its life, CPF has evolved to serve the Hispanic population by providing credit that is otherwise unavailable.

CPF has injected over $250 million into under-served communities and populations in Texas. CPF is committed to continuing to serve communities in which it has a history of 25 years, as well as expand its reach to serve its expanding customer base.

The other integral part of the CPF's mission is to provide affordable housing. This is done through the substantial rehabilitation of blighted homes in low to moderate-income areas. Through this process, communities are improved and housing that is safe and sustainable is provided to hundreds of people a year looking to make their way up the socio-economic ladder.

The consolidated company currently has 27 full-time employees between Dallas-Fort Worth, Houston, and San Antonio. The financial results of Crossroads are consolidated and include the operating results of CPF.

The Company has not at any time been a "shell company" as defined in Rule 405 of the Securities Act of 1933, as amended, and Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

As with any operating company, we are subject to a growing number of local, national, and international laws and regulations. These laws are often complex and are frequently changing. Changing or growing regulation could impose additional compliance burdens and costs on us and could subject us to significant liability for any failure to comply.

Item 9 The nature of the products or services offered

The nature of products or services offered.

Through our subsidiary, CPF's core business is to provide mortgage financing to Hispanic homeowners within the state of Texas. CPF achieves this via purchasing blighted, single-family homes in low to moderate-income areas within the state. It then renovates and refurbishes these properties and sells them to the Hispanic community. The targeted homes are generally 900 to 1,400 sq. ft., 2-3 bedrooms, and range in value from $75,000 to $150,000 (after renovations).

Typically, targeted properties meet some or all of the following criteria:

- Outdated, especially the kitchens and bathrooms;
- Little current curb appeal;
- Atypical layouts or features that turn buyers away;
- Not well maintained;
- Sellers looking for a quick sale; and
- Sellers seeking a cash buyer, who is not reliant upon financing contingencies.

While there is natural competition from community banks on the financing side of the business, there are multiple factors that have kept this to a minimum, including but not limited to bank compliance regulation costs, borrower distrust of the banking system, and small balance size of the mortgages provided.

CPF is, as are all regulated lending institutions, dependent on the continued regulatory approval of our loan offerings. We comply with the Texas Department of Savings and Mortgage Lending regulations as well as federal lending guidelines. We subject ourselves to annual compliance, fair lending, and servicing audits to ensure that our procedures remain in compliance and are kept abreast of the latest regulatory changes.

As was announced on November 18, 2019, Crossroads has reached a definitive agreement to purchase Rice Bankshares. The transaction will merge Capital Plus Financial and the First State Bank and create a CDFI Bank and Minority Depository Institution and expand the products and services CPF has historically offered to more traditional banking products such as deposit accounts for the underbanked and unbanked and small business loans. As of the date of this report, the Company was working through the regulatory application process.

Item 10 The nature and extent of the issuer's facilities.

The Company is obligated, as lessee, under non-cancelable operating lease agreements for office space located in Bedford, Texas and Houston, Texas. The lease agreements require monthly payments totaling $12,600 through their expiration in December 2022.

Future minimum payments required under non-cancelable operating lease agreements are as follows for the years ending October 31:

Rent expense associated with non-cancelable operating leases for the year ended October 31, 2020 was $151,200.

	Bedford	Houston	Total
2021	109,800	41,400	151,200
2022	109,800	41,400	151,200
2023	18,300	6,900	25,200
	$237,900	**$ 89,700**	**$327,600**

Part D **Management Structure and Financial Information**

Item 11 **The name of the chief executive officer, members of the board of directors, as well as control persons.**

A. Officers, Directors and Control Persons.

The following table shows the number of shares of Common Stock beneficially owned by directors, executive officers, and persons known by the Company to beneficially own more than five percent (5%) of the issued and outstanding shares of Common Stock of the Company as of October 31, 2020.

Percentage of beneficial ownership is calculated assuming 5,971,994 shares of the Company's Common Stock (net of treasury shares) were outstanding as of October 31, 2020. Except as otherwise indicated, and subject to applicable community property laws, to the Company's knowledge, each person has sole voting and dispositive power with respect to all shares of Common Stock beneficially shown as owned by that person.

Beneficial Owner/Shareholder Name	Business Address	Affiliation with Company (e.g. Officer/Director /Control Person)	Number of Shares	% Ownership	Class of Shares
Eric Donnelly (Donnelly 2018 Trust	Dallas, TX	Executive Officer, Director and Control Person	532,838	8.9%	Common
Farzana Giga (Giga Investments, LLC)	Frisco, TX	Executive Officer, Director and Control Person & Member of Audit Committee	432,931	7.2%	Common
Robert Alpert (210/CRDS Investments)	Dallas, TX	Chairman of the Board & Control Person	746,142	12.5%	Common
Clark Webb (210/CRDS Investments)	Dallas, TX	Director & Control Person & Member Audit Committee	746,142	12.4%	Common
Claire Gogel	Dallas, TX	Independent Director	193,438	3.2%	Common
James Perez Foster	Boulder, CO	Independent Director & Member Audit Committee	601	0.01%	Common
Ray Kembel	Dallas, TX	Independent Director & Member Audit Committee	401	0.01%	Common
Mark Crockett	Fort Worth, TX	Officer and Owner of more that 5%	466,233	7.8%	Common
Westchester Standard, LLC (Farzana Giga)	Dallas, TX	Owner of more than 5%; Managed by Farzana Giga	557,225	9.3%	Common
Charles A Vose III	Dallas, TX	Owner of more than 5%	299,722	5.0%	Common

Robert H. Alpert - Chairman of the Board

Robert Alpert has served as Chairman of the Board since October 2017. He is the Chairman and Co-CEO of P10 Holdings, Inc. He is also the co-founder and principal of 210 Capital, LLC. Mr. Alpert is a director of Elah Holdings, Inc., Collaborative Imaging, LLC. and Chairman of the Board of Redpoint Insurance Group, LLC. He is also the co-founder of Homebuilder Capital Advisors, LLC. and the co-founder and managing member of Merfax Financial Group, LP. Mr. Alpert previously served as the Chief Executive Officer and Chairman of the Board of GlobalSCAPE, Inc. Prior to founding 210 Capital, Mr. Alpert was the founder and portfolio manager of Atlas Capital Management, L.P.

Eric Donnelly – Director and Officer

Eric Donnelly has served as a director and as Chief Executive Officer since December 2017. Mr. Donnelly has spent his 20-year career focused on supporting small businesses and developing low to moderate-income communities with an emphasis on Hispanic homeownership. He has served as Capital Plus Financial LLC's Chief Executive Officer since 2014 after having been hired by the company's founder in 2012 to scale the 25-year social enterprise. Mr. Donnelly has grown the company into one of the largest Community Development Financial Institutions in the country and under his leadership has achieved its B Corp certification further reinforcing the company's commitment to community impact as well as shareholder value growth. In 2005 after many years in commercial banking, Mr. Donnelly founded a national small balance commercial real estate finance company focused on delivering long-term, fixed-rate options to small business owners. He is an active Hispanic entrepreneur and leader whose passion it is to improve underserved and underbanked market segments. Mr. Donnelly is a graduate of Southern Methodist University with a Bachelor of Arts in Economics. Mr. Donnelly is a director of InBankshares and International Bank, a community bank located in New Mexico and Colorado. He is a on the board of Financial Mentors of America, Inc. (FMA), an educational nonprofit which seeks to achieve social and economic transformation. He is a participant in the BBVA Momentum program for Social Entrepreneurs, a 2017 graduate of the Stanford Latino Entrepreneur Initiative.

James Pérez Foster – Independent Director & Member of Audit Committee

James Pérez Foster is a seasoned board member with national banking and Community Development Financial Institution (CDFI) board experience. He is a technology executive and management consultant with more than 25 years of strategic growth, impact investment advisory, and community engagement experience. A published expert on U.S. underserved market segments for global financial services and banking institutions, he is the founder of Bainbridge Advisors, LLC, a consulting and research firm that serves financial institutions and federal agencies. Pérez Foster also founded Solera National Bancorp, a federally chartered bank holding company that is credited as one of the first Hispanic-markets focused commercial banks in the country. He has a BA in International Relations from Syracuse University's Maxwell School of Citizenship and Public Affairs.

Farzana Giga – Director and Officer & Member of Audit Committee

Farzana Giga has served as Capital Plus Financial's Chief Financial Officer since 2014. Ms. Giga's background includes extensive experience in private equity, financial reporting and analysis, investor reporting, and treasury for both private and public companies in Canada and the United States. Prior to CPF, Ms. Giga served as CFO for a private equity firm focused on residential seller financing including acquisitions, mortgage origination, and mortgage servicing for a portfolio exceeding $100M. From 2007 to 2009, she worked as an Investment Manager at Quadrant Capital Partners where she was responsible for loan acquisitions and financial analysis of residential and commercial real estate. Prior to Quadrant, Ms. Giga served as an Assistant Vice President at INYX Canada where she was responsible for all strategic and financial planning, budgeting/forecasting, cash flow analysis, mergers and acquisitions analysis including quarterly and annual SEC filings. Prior to INYX, Ms. Giga served as Director, Treasury at RR Donnelly responsible for managing a debt portfolio of $2B. Ms. Giga is a Certified Public Accountant, Certified Management Accountant in Ontario, Canada, and received her Bachelor of Arts, Economics (Management & Accounting) from the University of Toronto.

Claire Gogel – Independent Director

Claire Gogel has served as a director since October 2017. Ms. Gogel was an Independent Director and member of the finance and restructuring committee at SunEdison, Inc., and had served in that position since 2016 when she was appointed as an independent director by Greenlight Capital. From 2009 to 2014, Ms. Gogel served as a partner and analyst at Greenlight Capital, a hedge fund in New York. From 2001 to 2009, Ms. Gogel was founder and portfolio manager of Perennial Advisors. Ms. Gogel's professional experience also includes positions as a portfolio manager at Discovery Partners and as a research associate at Cardinal Investment Company. Ms. Gogel is a Board member and Chair of the Grant Committee for Capital for Kids, and has served in that position since 2005. Ms. Gogel is Board member and Chair of the Investment Committee for Booker T. Washington School for the Performing and Visual Arts, and has served in that position since 2015. Ms. Gogel earned a Bachelor of Arts degree with High Honors from The University of Texas at Austin.

Ray Kembel – Independent Director & Member of Audit Committee

Ray Kembel is a tenured finance executive with a broad knowledge of real estate and credit finance. He is currently an Executive Vice President with Oakwood Bank in Texas. Prior to joining Oakwood Bank, Ray helped develop the Dallas commercial banking platform for Green Bancorp, Inc. (NASDAQ: GNBC). Ray previously spent 10 years with Staubach Capital Partners, a private equity group under The Staubach Company umbrella, acquired by JLL (NYSE: JLL). He began his career with Bank of America (NYSE: BAC). Ray holds a BBA degree from The University of Texas at San Antonio and an MBA from The University of Dallas.

C. Clark Webb – Director & Member of Audit Committee

C. Clark Webb has served as a director since October 2017. Mr. Webb is the Co-CEO and a Director of P10 Holdings, Inc. He is also the co-founder and principal of 210 Capital, LLC. Additionally, Mr. Webb serves as the Chairman of the Board of Elah Holdings, Inc. and Chairman of the Board of Collaborative Imaging LLC. Previously, Mr. Webb was Founder and Managing Member of P10 Capital Management, Co-Portfolio Manager of the Lafayette Street Fund, and a Partner at Select Equity Group, L.P. Mr. Webb holds a B.A. from Princeton University.

Board Compensation

The non-executive members of the Board of Directors each receive $3,750 per quarter for their service on the Board of Directors. The Chairman of the Board receives and an additional $900 per quarter and the Chairman of the Audit Committee receives an additional $600 per quarter.

The following table discloses compensation received by the Company's Chief Executive Officer and Chief Financial Officer, for the fiscal year 2020.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards (Fair Value $)	All Other Compensation ($)	Total ($)
Eric Donnelly, Chief Executive Officer	2020	$350,000	N/A	$405,900	N/A	$755,900
Farzana Giga, Chief Financial Office	2020	$300,000	N/A	$405,900	N/A	$705,900

A. Legal/Disciplinary History.

None of the persons listed in Item 11.A above have, in the last five years, been the subject of: (1) a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); (2) the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities; (3) a finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or (4) the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities

B. Disclosure of Family Relationships.

There are no family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers or beneficial owners of more than five percent (5%) of any class of the issuer's equity securities.

C. Disclosure of Related Party Transactions

The Company also leases office space in Dallas, Texas on a month to month basis from Southwest Federated, Inc., a related party through common ownership for $4,500 per month.

Copy participations from audit upon completion

D. Disclosure of Conflicts of Interest.

Not Applicable

Item 12 Financial information for the issuer's most recent fiscal period.

The Company has provided the following financial statements for the most recent fiscal year ending October 31, 2020 which are attached hereto as Exhibit A and are hereby incorporated by reference:

- Consolidated Balance Sheet
- Consolidated Statement of Operations
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

Item 13 Similar financing information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

The Company has provided the following financial statements for the two most recent fiscal years ending October 31, 2020 and October 31, 2019 ("Fiscal 2020"), and ("Fiscal 2019"):

- Report of Independent Public Accounting Firm
- Consolidated Balance Sheet
- Consolidated Statement of Operations
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

These are published as Exhibit A to "Annual Reports" for each of Fiscal 2020 and Fiscal 2019 and filed through the OTC Disclosure and News Service, available at www.otcmarkets.com, and are hereby incorporated by reference.

Item 14 Beneficial Owners and Control Person

Shareholder	Beneficial Holder	Address	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Number of Shares	Class of Shares
EDUCM, Inc	Eric Donnelly	Dallas, TX	CEO & Director	532,838	Common
Giga Investments, LLC	Farzana Giga	Frisco, TX	CFO & Director	432,931	Common
210/CRDS Investment	Robert Alpert/Clark Webb	Dallas, TX	Chairman of the Board	1,492,284	Common
Westchester Standard, LLC	Farzana Giga	Dallas, TX	Owner of more than 5%; Managed by Farzana Giga	557,225	Common
Charles A Vose III		Dallas, TX	Owner of more than 5%	299,722	Common
Mark Crockett		Fort Worth, TX	Owner of more than 5%	466,233	Common

Item 15 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development, and disclosure:

<u>Securities Counsel</u>

Name: Claudia Dubon
Firm: Olshan Frome Wolosky LLP
Address 1: 1325 Avenue of the Americas
Address 2: New York, NY 10019
Phone: (212) 451-2300
Email: info@olshanlaw.com

<u>Auditor</u>

Name: Bridget M. Quin
Firm: Baker Tilly Virchow Krause LLP
Address 1: 9 Wood Avenue South, Suite 801,
Address 2: Iselin, NJ 08830-2734
Phone: (848) 467-3909
Email: info@bakertilly.com

<u>Investor Relations Consultant</u>

Name: Tom Colton and Matt Glover
Firm: Gateway Investor Relations
Address 1: 4685 MacArthur Court, Suite 400
Address 2: Newport Beach, CA 92660
Phone: (949) 574-3860
Email: crss@gatewayir.com

Item 16 Management's Discussion and Analysis or Plan of Operation.

Item 16 Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion provides information and analysis of the Company's results of operations and its liquidity and capital resources and should be read in conjunction with the Company's Consolidated Financial Statements and the other financial information included in Exhibit A and elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of any number of factors.

The Company's operating and reporting period is on a fiscal year ending on October 31.

Fiscal 2020 Financial Overview & Results of Operations

	For the Twelve Months Ended October 31, 2020	October 31, 2019	Increase/(Decrease) $	%
REVENUES				
Interest income	$ 12,633,818	$ 11,986,113	$ 647,705	5.4%
Property sales	23,461,898	25,330,557	(1,868,659)	-7.4%
Other revenue	538,876	387,264	151,612	39.1%
Total revenues	36,634,592	37,703,935	(1,069,343)	-2.8%
COSTS AND EXPENSES				
Interest expense	5,712,138	6,343,947	(631,809)	-10.0%
Cost of properties sold	20,297,457	21,138,085	(840,628)	-4.0%
General and administrative	2,027,776	1,962,626	65,150	3.3%
Salaries and wages	2,839,113	2,788,032	51,081	1.8%
Total costs and expenses	30,876,484	32,232,690	(1,356,206)	-4.2%
Income from operations	5,758,108	5,471,245	286,863	5.2%
OTHER EXPENSES				
Interest expense	(734,005)	(1,110,230)	376,225	-33.9%
Total other expenses	(734,005)	(1,110,230)	376,225	-33.9%
Income before income tax provision	5,024,103	4,361,015	663,088	15.2%
INCOME TAX PROVISION	(1,377,572)	(1,990,988)	613,416	-30.8%
NET INCOME	3,646,531	2,370,027	1,276,504	53.9%
Less: net income attributable to non-controlling interests	(630,000)	(617,582)	(12,418)	2.0%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 3,016,531	$ 1,752,445	$ 1,264,086	72.1%
Earnings (loss) per share:				
Cash income attributable to common shareholders	4,394,103	3,743,433	650,670	17.4%
Weighted average shaes outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	$ 0.74	$ 0.63	$ 0.11	17.4%

Operations

Total revenue from operations for the fiscal year ended October 31, 2020 was $36.6 million compared to $37.7 million for the same period of 2019. The 2.8% decrease in revenue was the result of lower unit sales of homes during the pandemic which had much of the state under a Shelter in Place order for the key spring selling months. Net operating income before taxes and minority interest for the fiscal year ended October 31, 2020 was $5.0 million compared to $4.4 million for the same period of 2019.

Net Earnings Per Share

Net earnings per share from operations before taxes and after minority interests for the year ended October 31, 2020 was $0.74 compared to $0.63 for the fiscal year ended October 31, 2019 representing an increase of 17.4% year over year.

Gross Sales

Gross income from the sale of recently rehabilitated homes was $23.5 million for the year ended October 31, 2020 compared to $25.3 million for the year ended October 31, 2019. The decrease in gross sales was the result of lower unit sales during the pandemic which were offset by higher sales prices for the fiscal year ended October 31, 2020.

Interest income generated from the Company's mortgage note receivable portfolio increased to $12.6 million for the year ended October 31, 2020 compared to $12.0 million for the year ended October 31, 2019. The increase was the result of growth in the total mortgage note receivable portfolio during the year. The company also provided forbearance agreements to 234 borrowers as a result of the pandemic which impacted interest income by approximately $412,000.

Cost of Goods Sold

The cost of goods sold related to the sale of homes decreased by 4% to $20.3 million for the fiscal year ended October 31, 2020 from $21.1 million for the fiscal year ended October 31, 2019. The decrease was the result of fewer home sales and costs on those homes during fiscal year 2020.

Cost of goods sold includes all the direct costs of the inventory sold as well as the costs related to the rehabilitation of the homes sold. In addition, cost of goods sold includes carrying costs of all the properties sold and inventory on hand.

The second component of cost of goods sold is the interest expense on the mortgage note receivable portfolio. The interest expense related to the portfolio income was $5.7 million for the year ended October 31, 2020 compared to $6.3 million for the year ended October 31, 2019. The decrease in interest expense was the result of the Federal Reserve Board lowering interest which translated to lower rates from the Company's lenders on its debt portfolio.

Operating Expenses

Total operating expenses increased approximately $116,000 from $4.8 million from the fiscal year ended October 31, 2019 to $4.9 million for the year ended October 31, 2020. Operating expenses as a percentage of total revenues increased from 12.6% for the fiscal year ended October 31, 2019 to 13.2% for the fiscal year ended October 31, 2020. The increase in operating expenses was primarily due to the granting of stock options to the employees and legal fees related to the FSB Rice Bankshares pending acquisition. The stock option expense is not a cash expense.

Operating expenses consist primarily of the following: compensation, sales and marketing, technology, legal, professional fees, insurance, and other operating expenses.

Other Income/Expense

The other interest expense relates to interest from acquisition debt. Total other interest expenses decreased $376,000 from the October 31, 2019 fiscal year-end to the October 31, 2020 fiscal year-end due to a declining interest rate and lower debt balance. The total debt repayment of the acquisition debt for the fiscal year was $1.8 million.

Liquidity and Capital Resources

We define liquidity as our ability to generate sufficient cash to fund current loan demand at the subsidiary level and to operate on an ongoing basis. Our liquidity requirements are met primarily through cash flow from operations, receipt of pre-paid and maturing balances in our loan portfolios, debt financing, and preferred equity investments.

As of October 31, 2020, Capital Plus Financial had lines of credit available with its current banking partners in excess of $13 million. We continue to monitor our financings need ahead of our bank acquisition. In the event, our bank acquisition is not completed, we will add additional liquidity.

The Company also offers a Preferred Equity instrument to its bank partners which is considered a qualified investment under the Community Reinvestment Act ("CRA") investment test for banks. Banks purchase units of the preferred investment which generates cash for the Company and provides banks with an "innovative" investment, providing a more favorable CRA assessment from their regulators.

Working Capital

Mortgage Note Portfolio

The mortgage note portfolio consists of $128.8 million of long term fixed, amortizing single-family residential mortgages in the Dallas/Fort Worth, Houston, and San Antonio markets. The Company provides a mortgage for the purchase of a property with an equity down payment from the potential buyer. Our mortgage portfolio is comprised of first-time home buyers, and in over 60% of the cases, first-time credit recipients. We believe the risk associated with these borrowers is mitigated by their history of debt aversion. Plainly said, those who have shown the financial discipline to operate without debt should be rewarded and not punished as is often the case with a zero credit score borrower attempting to qualify for a mortgage. Each borrower is manually underwritten, and all are given the opportunity to demonstrably prove their ability to repay. A 43% debt to income ("DTI") ratio is the maximum ratio for approved mortgages, but the average back-end DTI ratio in our portfolio is 29.5%, further reinforcing the quality of our borrowers. All mortgages are originated in house and are Qualified Mortgages (QM). Our weighted average rate on the portfolio was 10.44% at October 31, 2020.

The Company has a default rate below 3% per year and when it does take a property back into inventory, it is able to put it back into its rehab cycle and resell it. Given its ability to rehab and resell the properties at a profit, the Company has determined a reserve for delinquent and defaulted mortgages is not necessary as of October 31, 2020.

As of October 31, 2020, the Company had a mortgage note receivable balance of $128.8 million compared to $116.9 million as of October 31, 2019.

Inventory

Inventory consists of properties that are currently undergoing remodeling or are being held for sale. Inventory includes the initial costs of acquiring the property, remodeling costs, real estate taxes and other direct costs incurred while remodeling the property. All indirect overheard costs, such as compensation of sales personnel, management and advertising costs are charged to salaries and wages or other general and administrative expenses as incurred.

The initial direct costs to acquire properties and remodeling costs account for approximately 92% of cost of properties sold in the consolidated statement of operations for the year ended October 31, 2020. As of October 31, 2020, 92 properties were being remodeled and 16 were completed and held for sale. Generally, the Company holds properties in inventory from acquisition to resale for 3 to 4 months.

The Company regularly evaluates inventories that are slow-moving or incurring costs in excess of budgeted costs. The Company determined a reserve for slow-moving inventory was not necessary as of October 31, 2019.

As of October 31, 2020, gross inventory was $10.5 million compared to $11.8 million as of October 31, 2019, a decrease of $1.3 million or 11%. The decrease in inventory as of October 31, 2020 compared to October 31, 2019 is the result of lower inventory on hand. However, the company is starting to increase inventory to get homes ready for the upcoming Spring season of 2021.

Revolving Credit Facility

The Company has a revolving line of credit for the acquisition of properties and another for its mortgage loans. The outstanding balance on the inventory line at October 31, 2020 was $7.2 million compared to $9.3 million at October 31, 2019. The decrease in outstanding balance is the result of decreasing inventories. In addition, the Company has two lines totaling $3.0 million for new housing development projects. The outstanding balance on these facilities was $1.7 million.

The outstanding balance on the mortgage loan revolving credit facility was $37.5 million as of October 31, 2020, compared to $45.4 million as of October 31, 2019. The Company transferred $10 million of loans from the revolving line of credit to a new term facility to make capacity available on the revolving line credit facility for new loan production.

Cash Flows Provided by Operations

Continuing Operations

Net cash used by operating activities during the year ended October 31, 2020 was $1.0 million compared to $14.3 million of net cash used for the year ended October 31, 2019. The main driver of cash usage was the generation of new loans and increased inventories.

Cash Flows Used in Investing and Financing Activities

Net cash provided by financing activities during the year ended October 31, 2020 was $1.9 million compared to $13.7million for the year ended October 31, 2019.

There are no known trends, events, or uncertainties that have or are reasonably like to have a material impact on the company's short-term or long-term liquidity. The internal sources of liquidity are profits generated from the company's operating subsidiary, Capital Plus Financial, and its external sources of liquidity remain debt and equity from banking institutions that assist in the institutions compliance with the Community Reinvestment Act (CRA). The company has no material commitments for capital expenditures and the expected source of funds for such expenditures. There are no known trends, events, or uncertainties that had had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. There are no significant elements of income or loss that do not arise from the company's continuing operations. There are also no causes for any material changes from period to period in one or more line items on the company's financial statements nor are the seasonal aspects that had a material effect on the financial condition of the results of operations.

C. **Off-Balance Sheet Arrangements.**
NA

Part E **Issuance History**

Item 17 **List of securities offerings and shares issued for services in the past two years.**

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Number of Shares outstanding as of <u>October 31, 2017</u>	<u>Opening Balance:</u> Common: 3,014,726 Preferred: 0								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
Dec 2017	New Issuance	532,838	Common	$0.38	Y	EDUCM, Inc (Eric Donnelly)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	432,931	Common	$0.38	Y	Giga Investments, LLC (Farzana Giga)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	399,629	Common	$0.38	Y	Southwest Federated (Charles A. Vose)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	299,722	Common	$0.38	Y	Charles A. Vose)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	557,255	Common	$0.38	Y	Westchester Standard, LLC, (Farzana Giga)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	466,233	Common	$0.38	Y	Mark Crockett	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	177,702	Common	$0.38	Y	CC Texas Realty (Neil Clements)	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	44,359	Common	$0.38	Y	Luke Hammond	Acquisition of Capital Plus	Restricted	Non registered
Dec 2017	New Issuance	44,359	Common	$0.38	Y	Chad Cole	Acquisition of Capital Plus	Restricted	Non registered
June 2018	New Issuance	957	Common	3.92	N	Individual	Board Compensation	Unrestricted	Non registered
June 2018	New Issuance	1,283	Common	7.79	N	Individuals	Board Compensation	Unrestricted	Non registered
Shares Outstanding on <u>October 31, 2020</u>	<u>Ending Balance:</u> Common: <u>5,971,994</u> Preferred: <u>0</u>								

B. List below and describe any issuance of Promissory Notes, Convertible Notes, or Convertible Debentures. In responding to this item, please provide the date of execution of the Note or the Agreement, a description of the reason for the issuance, the outstanding balance, and any interest accrued. Provide the maturity dates for each Note or Agreement, their conversion terms, names of beneficial owners or holders and the exact class of security such Notes or Agreement may be converted to. Also, specify if the Note is Secured or Unsecured and whether or not it is in Default.

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)	Security Pledged	Default Status
Dec 2017	$11,020,327	$22,000,000	$18,479	Dec 2024	N/A	Veritex Bank	Acquisition	Stock of Crossroads not already secured	See Status Below (a)
Dec 2017	$2,199,377	$2,200,000	$1,714	Dec 2021	N/A	CrossFirst Bank	Acquisition	Cash secured	In compliance with all loan covenants

(a) The Company is required to comply with certain financial and non-financial covenants under the Veritex Note. The Company was not in compliance with the problem asset measurement ratio as of October 31, 2020 due to COVID19 affecting various county government's ability to process foreclosures timely. The Problem Asset Measurement Ratio is the ratio of notes receivable past due 30 days plus initial inventory acquisition costs aged over 270 days to total notes receivable plus initial inventory acquisition costs. The Company is required to maintain a quarterly Problem Asset Measurement Ratio no greater than 5.00% with the ratio as of October 31, 2020 at 5.89%. The Company has the capability of curing the non-compliance through the liquidation of the notes receivable held up in the foreclosure process due to COVID-19, and accordingly, has determined that the non-compliance is not representative of a continued default for financial reporting purposes.

Part F Exhibits

The following exhibits must be either described in or attached to the disclosure statement:

Item 18 Material Contracts.

A. Every material contract, not made in the ordinary course of business, that will be performed after the disclosure statement is posted through www.OTCIQ.com or was entered into not more than two years before such posting. Also include the following contracts:

NA

Item 19 Articles of Incorporation and Bylaws.

A. A complete copy of the issuer's articles of incorporation or in the event that the issuer is not a corporation, the issuer's certificate of organization. Whenever amendments to the articles of incorporation or certificate of organization are filed, a complete copy of the articles of incorporation or certificate of organization as amended shall be filed.

B. A complete copy of the issuer's bylaws. Whenever amendments to the bylaws are filed, a complete copy of the bylaws as amended shall be filed.

Refer to the website.

Item 20 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

A. In the following tabular format, provide the information specified in paragraph (B) of this Item 20 with respect to any purchase made by or on behalf of the issuer or any "Affiliated Purchaser” (as defined in paragraph (C) of this Item 20) of shares or other units of any class of the issuer's equity securities.

NA

Item 21 Issuer's Certifications.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Eric Donnelly, certify that:

1. I have reviewed this Annual Disclosure Statement of Crossroads Systems, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Eric Donnelly Date: January 28, 2021
Chief Executive Officer

Principal Financial Officer:

I, Farzana Giga, certify that:

1. I have reviewed this Annual Disclosure Statement of Crossroads Systems, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Farzana Giga Date: January 28, 2021
Chief Financial Officer

EXHIBIT A

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OCTOBER 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Crossroads Systems, Inc. and Subsidiaries:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Crossroads Systems, Inc. and subsidiaries (the "Company") as of October 31, 2020, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit includes performing procedures to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated financial statements. Such information has not been subjected to the auditng procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Baker Tilly US, LLP

BAKER TILLY US, LLP
We have served as the Company's auditor since 2018
New York, NY
January 20, 2021

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2,127,059
Restricted cash	3,004,051
Interest receivable	930,871
Current portion of notes receivable	1,527,234
Current portion of other notes receivable	7,014
Inventory	10,544,236
Prepaid expenses and other current assets	411,645
Total current assets	18,552,110
NON-CURRENT ASSETS	
Notes receivable, net of current maturities and allowance of $0	127,304,450
Other notes receivable, net of current maturities, participations and allowance of $0	1,583,761
Goodwill	18,566,966
Deferred tax asset	18,300,334
Total non-current assets	165,755,511
TOTAL ASSETS	$ 184,307,621
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 222,610
Accrued liabilities	353,901
Escrow liabilities	2,886,249
Current portion of credit facilities	75,694,845
Current portion of other note payable	191,337
Current portion of acquisition notes payable	2,495,172
Total current liabilities	81,844,114
NON-CURRENT LIABILITIES	
Credit facilities, net of current maturities	39,481,435
Other note payable, net of current maturities	1,144,234
Acquisition notes payable, net of current maturities	10,582,769
Payroll protection program loan	376,800
Other long-term liabilities	407,091
Total non-current liabilities	51,992,329
TOTAL LIABILITIES	133,836,443
EQUITY	
Common stock, $0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972
Additional paid in capital	242,471,412
Accumulated deficit	(210,057,986)
Controlling interests	32,419,398
Non-controlling interests	18,051,780
TOTAL EQUITY	50,471,178
TOTAL LIABILITIES AND EQUITY	$ 184,307,621

The accompanying notes are an integral part of these consolidated financial statements.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 2020

REVENUES	
Interest income	$ 12,633,818
Property sales	23,461,898
Other revenue	538,876
Total revenues	36,634,592
COSTS AND EXPENSES	
Interest expense	5,712,138
Cost of properties sold	20,297,457
Salaries and wages	2,839,113
Professional fees	708,139
Other general and administrative	1,319,637
Total costs and expenses	30,876,484
Income from operations	5,758,108
OTHER EXPENSES	
Interest expense	(734,005)
Total other expenses	(734,005)
Income before income tax provision	5,024,103
INCOME TAX PROVISION	(1,377,572)
NET INCOME	3,646,531
Less: net income attributable to non-controlling interests	(630,000)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 3,016,531

The accompanying notes are an integral part of these consolidated financial statements.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2020

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
BALANCE, NOVEMBER 1, 2019	5,971,994	$ 5,972	$ 242,358,843	$ (213,074,517)	$ 18,053,506	$ 47,343,804
Stock-based compensation:						
Stock options	-	-	112,569	-	-	112,569
Dividend distributions to non-controlling interests *	-	-	-	-	(631,726)	(631,726)
Net income	-	-	-	3,016,531	630,000	3,646,531
BALANCE, OCTOBER 31, 2020	5,971,994	$ 5,972	$ 242,471,412	$ (210,057,986)	$ 18,051,780	$ 50,471,178

* see Note 10 for additional information over dividend distributions to holders of non-controlling interests in preferred equity.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	3,646,531
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on derivative related activity		(105,702)
Stock based compensation		112,569
Amortization of deferred financing fees		35,986
Provision for income taxes		1,377,572
Changes in operating assets and liabilities:		
Interest receivable		(37,528)
Notes receivable (mortgages and other)		(7,693,243)
Inventory		1,252,194
Prepaids and other assets		(57,583)
Accounts payable		(66,620)
Accrued liabilities		257,148
Escrow liabilities		239,668
Net cash used in operating activities		(1,039,008)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distribution to non-controlling interests		(631,726)
Paycheck Protection Program loan		376,800
Borrowings on credit facilities, net		36,701,455
Principal payments on credit facilities		(33,300,951)
Principal payments on other notes payable		(179,327)
Principal payments on acquisition note payable		(1,835,390)
Sale of participations in mortgage notes and other receivables		800,086
Net cash provided by financing activities		1,930,947
Net change in cash and cash equivalents and restricted cash		891,939
Cash and cash equivalents and restricted cash at beginning of period		4,239,171
Cash and cash equivalents and restricted cash at end of period	$	5,131,110
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$	6,625,303

The accompanying notes are an integral part of these consolidated financial statements.

1. COMPANY PROFILE AND NATURE OF OPERATIONS

Crossroads Systems, Inc. (OTC Pink: CRSS) (the “Company”, “CRSS” or “Parent”) was an intellectual property licensing company headquartered in Austin, Texas. Founded in 1996 as a product solutions company, Crossroads created some of the storage industry's most fundamental patents and licensed patents to more than 50 companies prior to filing for reorganization under Chapter 11 of the Federal Bankruptcy Code on August 13, 2017.

On December 18, 2017, the Parent acquired 100% of the common equity of Capital Plus Financial, LLC (“CPF”), a Texas based community development financial institution (“CDFI”). CPF’s mission is to make homeownership available to the Hispanic market throughout Texas. CPF is also a certified B Corporation which is a group of for-profit companies certified to meet rigorous standards of social and environmental performance, accountability and transparency. CPF operates in Texas where it acquires, renovates, and sells single-family homes providing seller financing through notes receivable.

Principals of Consolidation

The consolidated financial statements include the accounts of CRSS and CPF. Capital Mortgage Servicing, LLC (“CMS”) is wholly owned by CPF. (collectively, “we”, “us”, or the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The operations are for the period from November 1, 2019 through October 31, 2020.

Cash and Cash Equivalents

The Company considers all currency on hand, money market accounts, and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash includes escrow accounts related primarily to CMS’s mortgage servicing obligations.

Notes Receivable

The Company originates predominantly 30-year notes receivable through sales of rehabilitated homes or purchases notes receivable that are secured by an assignment of a deed of trust. The Company intends to hold the notes for the long-term as it has the ability to fund additional notes receivable through borrowings from lenders that are secured by the notes receivable and properties. Notes receivable are stated at their unpaid principal balances less an allowance for loan losses, if any. The average contractual interest rate per note was approximately 10.44% as of October 31, 2020. Interest income is recognized monthly per the terms of the respective loan agreements. Notes receivable have maturities that range from 4 to 30 years. All of the Company’s loans and underlying collateral are located in Texas.

The Company uses payment history to monitor the credit quality of the notes receivable on an ongoing basis. The Company assesses the carrying value of its notes receivable for impairment when it determines that impairment indicators are present. Notes are evaluated for impairment when it is probable the Company will be unable to collect all amounts due for scheduled principal and interest payments, including notes in the process of repossession. Impaired notes are generally measured based on the fair value of the collateral. Impaired notes, or portions thereof, are charged off when deemed uncollectible. A specific reserve is created for impaired notes based on the fair value of the underlying collateral. No specific impairment was deemed necessary as of October 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Notes Receivable, Continued

The Company may also receive escrow payments for property taxes and insurance included in its note receivable collections. The liabilities associated with these escrow collections totaled $2,886,249 as of October 31, 2020 and are included in escrow liabilities on the consolidated balance sheet.

The Company purchased $2,706,314 in notes receivable from third-parties at face value, which approximated their fair value, near the time they were originated during the year ended October 31, 2020. Notes receivable totaling $1,634,504 were purchased with attached loan participations of between 15% and 20%. The loan participations do not meet the criteria to be presented net of the notes receivable with a majority due to officers of the Company, and accordingly, are presented in other long term liabilities on the consolidated balance sheet. The Company's liability for loan participations are paid as payments are received on the related notes receivable. The loan participation liability totaled $407,091 as of October 31, 2020. The Company did not sell any notes receivable during the year ended October 31, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. As permitted under Section 4013 of the CARES Act, the Company provided 234 borrowers experiencing financial hardship caused by the COVID-19 Pandemic with a 60-day forbearance option that defers two loan payments to the end of the loan term. The 60-day forbearance option is not considered a troubled-debt restructuring as the customers were not experiencing financial difficulty prior to the COVID-19 Pandemic. The Company did not recognize interest income of approximately $412,000 on these loans during the forbearance period. As of October 31, 2020, there were no loans on forbearance.

Allowance for Loan Losses on Notes Receivable

The allowance for loan losses reflects management's estimate of probable and inherent losses in the notes receivable balances that may be uncollectible based upon review and evaluation of the loan portfolio as of the consolidated balance sheet date. An allowance for loan losses is determined after giving consideration to, among other things, the loan characteristics, including the financial condition of borrowers, the value and liquidity of collateral, delinquency and historical loss experience.

In addition, the Company considers such factors as changes in the nature and volume of the portfolio, overall portfolio quality, and current economic conditions. The Company applies multiple strategies to mitigate the risks associated with delinquent loans, including foreclosures and subsequent rehabilitation and resales. As a result, the Company historically has not experienced any significant losses and has determined that an allowance for probable and inherent loan losses was not required as of October 31, 2020.

The Company's policy is to place a note receivable on nonaccrual status when either principal or interest is past due and remains unpaid for 90 days or more. Accrued interest receivable is reversed for notes placed on nonaccrual status. Payments received on nonaccrual notes receivable are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be recoverable. The accrual of interest resumes when the past due principal becomes current. The unpaid principal balance of notes receivable on nonaccrual status was $2,344,390 at October 31, 2020.

The Company assesses the collectability of notes receivable on a note by note basis to determine if formal foreclosure proceedings are necessary. The total principal balance of notes receivable for which the Company has begun formal foreclosure proceedings totaled $1,741,580 as of October 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Other Notes Receivable

From time to time, the Company will provide higher value financing for residential or commercial real estate. As of October 31, 2020, the Company had an outstanding balance of $1.1 million in such financing on a residential property and $726,000 for one commercial property. The interest rate on the financing for the residential property is 9.99% and 7.75% for the commercial property. The residential property requires monthly principal and interest payments based on 30-year amortization schedule maturing in 2049. The commercial property requires at least monthly interest payments and has a maturity of February 2022.

The Company sold a 20% loan participation in the $1.1 million residential property note receivable which is presented net of the other note receivable balance on the consolidated balances sheet. The balance on the loan participation as of October 31, 2020 was $215,193.

Due to their individually significant balances, the Company continually monitors other notes receivable for potential losses and the need for an allowance for loan losses. As of October 31, 2020, all other notes receivable were current and in good standing, and based on the borrowers' history and values of the associated properties, the Company determined no allowance for loan losses was required.

Inventory

Inventory consists of properties that are currently undergoing remodeling or are being held for sale. Inventory includes the initial costs of acquiring the property, remodeling costs, real estate taxes and other direct costs incurred while remodeling the property. All indirect overheard costs, such as compensation of sales personnel, management and advertising costs are charged to salaries and wages or other general and administrative expenses as incurred.

The initial direct costs to acquire properties and remodeling costs account for approximately 92% of cost of properties sold in the consolidated statement of operations for the year ended October 31, 2020. As of October 31, 2020, 92 properties were being remodeled and 16 were completed and held for sale. Generally, the Company holds properties in inventory from acquisition to resale for 3 to 4 months.

Goodwill

Goodwill resulted from the acquisition of CPF on December 18, 2017. Goodwill is accounted for in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill*. Management evaluates goodwill for impairment at least annually or when circumstances indicate the estimated fair value may exceed the reporting unit's carrying value indicating potential impairment of goodwill. The emergence of COVID-19 as a global pandemic in 2020 had minimal effects on the Company's operations or stock price. The Company determined that based on the limited impact of COVID-19 and a continued growth in net income it was more likely than not goodwill was not impaired as of October 31, 2020.

Revenue Recognition

Interest income on notes receivable and other notes receivable is recognized on the accrual basis when earned using the effective interest method. Revenue from residential home sales is recognized when title passes to the purchaser and collectability is reasonably assured. Revenue is recognized based on the contracted sales price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, notes receivable, other notes receivable, credit facilities, other note payable and acquisition notes payable. The carrying amount of cash and cash equivalents approximates its fair value because it is short-term in nature. The credit facilities, other note payable and acquisition notes payable generally have short-term maturity dates or variable interest rates that reflect market rates and the Company has determined that their fair value approximates their carrying value. The Company assessed the fair value of notes receivable and other notes receivable based on the discounted value of the remaining principal and interest cash flows. The Company determined the fair value of other notes receivable approximates their book values and the fair value of notes receivable was approximately $134.6 million compared to the book value of $128.8 million as of October 31, 2020.

Deferred Financing Fees

The Company incurred costs for deferred financing fees when obtaining the acquisition note payable to Veritex Community Bank detailed in Note 6. The debt issuance costs are presented as a deduction against the corresponding debt on the consolidated balance sheet. The deferred financing fees are amortized over the respective debt agreement with amortization expense included in other interest expense in the accompanying consolidated statement of operations. Amortization expense was $35,986 for the year ended October 31, 2020. Net deferred financing fees were $141,763 as of October 31, 2020.

Stock-Based Compensation

The Company recognizes compensation expense related to stock options and restricted stock on a straight-line basis over the requisite service period based on the estimated fair value of the awards on the date of grant. Compensation cost associated with stock options granted is determined using a calculated option value. The calculated value of each stock option grant is derived using the Black Scholes option-pricing model and is recognized over the vesting period with a corresponding increase to additional paid-in-capital.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that could change in the near term and have a significant impact on the consolidated financial statements include the deferred tax assets and allowance for loan losses.

Income Taxes

The Company accounts for income taxes using the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

The Company recognizes the financial statement benefit of a tax position that does not meet the more-likely-than-not threshold only after expiration of the statute of limitations of the relevant tax authority sustains our position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. We recognize interest and penalties related to uncertain tax positions in income tax expense. There were no identified tax benefits or liabilities that were considered uncertain positions at October 31, 2020.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, cash equivalents, and notes receivable. The notes receivable are secured by the residential homes that were financed through the loan. The Company maintains deposits with major financial institutions, which from time-to-time, may exceed the federally insured limits at each institution. The Company had cash and restricted cash in financial institutions that exceeded federally insured limits of approximately $4.1 million. Management believes any potential credit risk is minimal.

Risks and Uncertainties

The Company's business is affected, directly and indirectly, by economic and political conditions and by governmental monetary and fiscal policies. Conditions such as inflation, recession, real estate values, volatile interest rates, governmental monetary policy and other factors beyond the Company's control may adversely affect the Company's results of operations. Adverse economic conditions could result in an increase in notes receivable delinquencies or foreclosures and a decrease in the value of property or other collateral which secures the Company's loans.

The Company relies on various forms of revolving and long-term borrowings to finance its working capital requirements and has historically demonstrated the ability to obtain additional financing or refinance maturing obligations as needed to support the Company’s ongoing financing needs. As disclosed in Note 6 of these consolidated financial statements, the Company has approximately $75.7 million in current debt obligations maturing within one year prior.

The Company was and continues to be impacted by the COVID-19 pandemic which is having significant effects on global markets, supply chains, businesses and communities. The Company continues to evaluate the effects or potential effects of these events including possible disruptions with the availability of personnel or supplies and future government regulations or shut-downs. The extent of the impact will depend on future developments including the duration and spread of the outbreak, distribution of vaccines and government or other regulatory action. There have been no adjustments to the consolidated financial statements related to this risk.

3. NOTES RECEIVABLE

The principal balance outstanding on the notes receivable and the expected principal collections for the next five years and thereafter are as follows for the years ending October 31:

2021	$ 1,527,234
2022	1,704,754
2023	1,885,700
2024	2,032,144
2025	2,223,640
Thereafter	119,458,212
	$ 128,831,684

A detailed aging of notes receivable that are past due as of October 31, 2020 are as follows:

		%
Total notes receivable	$ 128,831,684	100.0
Past due notes receivable:		
31-60 days past due	$ 3,297,229	2.6
61-90 days past due	409,570	0.3
91-120 days past due	602,810	0.5
Greater than 120 days past due	1,741,580	1.4
Total past due notes receivable	$ 6,051,189	4.8

4. OTHER NOTES RECEIVABLE

The principal balance outstanding on the other notes receivable and the expected principal collections for the next five years and thereafter, excluding offsets for the $215,193 loan participation, are as follows for the years ending October 31:

2021	$ 7,014
2022	733,899
2023	8,574
2024	9,471
2025	10,462
Thereafter	1,036,548
	$ 1,805,968

All other notes receivable were current and in good standing as of October 31, 2020.

5. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at October 31, 2020:

Interest payable	$ 131,288
Salaries and wages	102,789
Professional fees	95,000
Other accrued liabilities	24,824
	$ 353,901

6. DEBT

Credit Facilities

The Company uses various types of credit facilities to finance notes receivable and inventories. The loans are secured by notes receivable or inventories.

In connection with the credit facilities, the Company has agreed to comply with certain financial and non-financial covenants provided for in the agreements. Management was not aware of any covenant violations for the year ended October 31, 2020.

The Company had the following credit facilities as of October 31, 2020:

Lender	Interest Rate	Maturity Date	Balance
Texas Citizens Bank 9950	4.75%	9/20/2035 (a)	$ 3,381,407
First National Bank of Ballinger	4.25%	6/1/2021	9,852,726
First National Bank of Ballinger	5.75% (b)	2/20/2022	528,337
Simmons Bank (formerly Bank SNB)	4.15%	3/29/2021	16,552,378
Happy State Bank Interim Construction (new)	6.00% (b)	10/1/2021 (c)	1,384,891
Happy State Bank Interim Construction (lot)	6.00% (b)	5/11/2021 (c)	354,511
Happy State Bank Interim 2	5.75% (b)	5/17/2021 (c)	5,167,303
Happy State Bank Interim Rental Line	5.00% (b)	7/28/2022	2,044,774
Happy State Bank Flood Line	6.50% (b)	7/28/2021 (c)	300,732
Happy State Bank Term	5.75%	9/18/2041	16,175,108
Happy State Bank Term 4	5.50%	10/1/2043	2,044,681
Oakwood Bank	5.25%	1/16/2025	9,857,529
Oakwood Bank Accordion with Spirit Bank	5.25%	1/16/2025	9,964,740
Veritex Bank (formerly Green Bank)	3.89% (b)	4/25/2021 (a,c)	12,523,798
Prosperity USA (formerly Legacy Bank Texas)	3.40% (b)	6/11/2021 (a,c)	24,946,843
Prosperity USA (formerly Legacy Bank Texas)	0.00%	6/29/2021	96,523
			115,176,280
Less current portion of credit facilities			(75,694,845)
Credit facilities, net of current maturities			$ 39,481,435

(a) These facilities are due on demand and presented as current.
(b) These facilities require only monthly interest payments through maturity.
(c) These facilities allow for incremental borrowings, each due within a 12 month period.

Future minimum principal payments for the credit facilities are as follows for the years ending October 31:

2021	$ 75,694,845
2022	3,728,623
2023	1,178,462
2024	1,202,646
2025	18,795,869
Thereafter	14,575,834
	$ 115,176,280

6. DEBT, CONTINUED

Acquisition Notes Payable

To fund consideration in the December 18, 2017 acquisition of CPF, the Company entered into a $22,000,000 note payable with Veritex Community Bank (the "Veritex Note") and a $2,200,000 note payable to CrossFirst Bank (the "CrossFirst Note").

Veritex Note

The Veritex Note bears interest at the annual LIBOR rate plus an applicable margin of 4.50%, which was 4.64% at October 31, 2020. The Veritex Note requires monthly principal payment of $207,931, plus interest, through maturity on December 18, 2024, the date at which all unpaid principal and interest is due. The Veritex Note is collateralized by certain operating assets of the Company not already collateralized by the credit facilities. As of October 31, 2020, the unpaid principal balance on the Veritex Note was $11,020,327. The Veritex Note is presented on the consolidated balance sheet net of amortizing deferred financing fees of $141,763 at October 31, 2020.

The Company is required to comply with certain financial and non-financial covenants under the Veritex Note. The Company was not in compliance with the problem asset measurement ratio as of October 31, 2020 due to COVID-19 affecting various county government's ability to process foreclosures timely. The Problem Asset Measurement Ratio is the ratio of notes receivable past due 30 days plus initial inventory acquisition costs aged over 270 days to total notes receivable plus initial inventory acquisition costs. The Company is required to maintain a quarterly Problem Asset Measurement Ratio no greater than 5.00% with the ratio as of October 31, 2020 at 5.89%. The Company has the capability of curing the non-compliance through the liquidation of the notes receivable held up in the foreclosure process due to COVID-19, and accordingly, has determined that the non-compliance is not representative of a continued default for financial reporting purposes.

CrossFirst Note

The CrossFirst Note was created to fund $2,200,000 of the purchase price in the acquisition of CPF to money market accounts in the seller's names at CrossFirst Bank to serve as collateral over the duration of the note. The CrossFirst Note requires a monthly interest payment at the CrossFirst Bank money market account rate plus an applicable margin of 1.00%, which was 1.65% at October 31, 2020. The CrossFirst Note will mature on December 14, 2021, when all unpaid principal and interest will be due. The balance on the CrossFirst Note was $2,199,377 at October 31, 2020.

Future minimum principal payments for the acquisition notes payable are as follows for the years ending October 31:

2021	$ 2,495,172
2022	4,694,549
2023	2,495,172
2024	2,495,172
2025	1,039,639
	$ 13,219,704

Other Note Payable

The Company assumed a note payable in the December 2017 acquisition of CPF with an outstanding principal balance as of the date of the acquisition totaling $1,827,750 (the "Other Note"). The Other Note is subordinate to the other debt obligations, accrues interest at 6.50% per annum, calls for monthly payments of principal and interest of $22,710, and matures on December 31, 2026. The balance on the Other Note was $1,335,571 at October 31, 2020.

6. DEBT, CONTINUED

Other Note Payable, Continued

Future minimum principal payments for the Other Note is as follows for the years ending October 31:

2021	$	191,337
2022		204,151
2023		217,823
2024		232,411
2025		247,976
Thereafter		241,873
	$	1,335,571

Paycheck Protection Program Loan

On April 20, 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administrative (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of $376,800. The PPP Loan bears interest at a rate of 1.0% per annum, with the first six months interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company has applied for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Company will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

7. OPERATING LEASES

The Company is obligated, as lessee, under non-cancelable operating lease agreements for office space located in Bedford, Texas and Houston, Texas. The lease agreements require monthly payments of $12,600 through their expiration in December 2022.

Future minimum payments required under non-cancelable operating lease agreements are as follows for the years ending October 31:

2021	$	151,200
2022		151,200
2023		25,200
	$	327,600

Rent expense associated with non-cancelable operating leases for the year ended October 31, 2020 was $151,200, and is included in general and administrative expenses in the consolidated statement of operations.

8. STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 75 million shares of $0.001 par value common stock and 25 million shares of $0.001 par value preferred stock. As of October 31, 2020, 5,971,994 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

9. STOCK BASED COMPENSATION

In June of 2018, the Company established the 2018 Stock Incentive Plan ("Stock Plan") in which shares of common stock are made available for grant to qualified officers, employees, directors and other key personnel of the Company. The plan is authorized to issue up to 800,000 shares of the Company's common stock.

The vesting of the options is determined by the Company with current options granted vesting over three years. The Company recognizes compensation expense for the options granted using the straight-line method over the vesting period. As of October 31, 2020, unrecognized stock based compensation expense was $789,474 and is expected to be recognized over a weighted average period of 2.65 years.

A summary of option activity for the year ended October 31, 2020 is as follows:

		Options Outstanding	
	Options Available for Grant	Number of Shares	Weighted Average Exercise Price
Balances, November 1, 2019	800,000	-	-
Granted	(199,990)	199,990	$ 7.47
Exercised	-	-	-
Forfeited	-	-	-
Balances, October 31, 2020	600,010	199,990	$ 7.47

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the June 2020 grants: a share price of $7.33, volatility of 67.8%, a weighted average risk-free interest rate of 0.71%, and no dividends. The Company estimated the expected term of the options using comparable market data since no historical data was available for stock option grants. The estimated expected term averaged 6.45 years. The weighted average grant date fair value for options granted was $4.51 and $112,569 of stock-based compensation expense was recorded for the year ended October 31, 2020.

The Black-Scholes option-pricing model requires the input of highly subjective assumptions. The Company continues to assess the assumptions and methodologies used to calculate the established fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies, which could materially impact the fair value determinations.

Options outstanding and exercisable as of October 31, 2020 are as follows:

		Options Outstanding	
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ 7.47	199,990	9.63 years	-

9. STOCK BASED COMPENSATION, CONTINUED

All non-vested stock options issued as of the date of the option holder's termination will be forfeited. A summary of the status of non-vested options for the year ended October 31, 2020 is as follows:

	Number of Options	Weighted Average Grant Date Fair Value per Share
Non-vested options, November 1, 2019	-	-
Granted	199,990	$ 4.51
Exercised	-	-
Forfeited	-	-
Non-vested options, October 31, 2020	199,990	$ 4.51

10. NON-CONTROLLING INTERESTS – CPF PREFERRED EQUITY

CPF has 36 preferred units at $500,000 per unit outstanding as of October 31, 2020.

The rights and privileges of preferred units are as follows:

- Duration and Voting: preferred units have no maturity date and have no voting rights.
- Dividends: Holders of preferred units are entitled to receive cumulative dividends at an annual rate of 3.50% through June 2022 and reset to the prime rate on a quarterly basis thereafter for the remainder of the investment.
- Conversion and Redemption: preferred units are not convertible into common units or any other equity of CPF or the Company and are redeemable at the Company's option after the fifth anniversary of the date of issuance.
- Liquidation preference: holders of preferred units are entitled to a liquidation preference equal to all dividends in arrears plus the initial capital contribution.

During the year ended October 31, 2020, CPF paid preferred dividends totaling $631,726 and had an accrued balance of $51,780 at October 31, 2020. Accrued dividends are included as a component of total ending equity for non-controlling interests at October 31, 2020.

11. RELATED PARTY ACTIVITIES

The Company leases office space in Dallas, Texas on a month to month basis from Southwest Federated, Inc., a related party through common ownership. Monthly payments under the lease were $4,500 and total rental payments for the year ended October 31, 2020 were $54,000.

The Company acquired 13 loans from third parties during the year ended October 31, 2020 that had loan participations associated with them of between 10% and 20%. Two officers of the Company subsequently acquired these loan participations from the third-parties. As of October 31, 2020, the liability due to the officers of the Company totaled $278,878 and are included in other long-term liabilities on the consolidated balance sheet.

12. CONTINGENCIES

The Company is party to certain legal proceedings in the ordinary course of business. Common legal proceedings include, among other things, breach of contract and unlawful eviction. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that such claims will have a material adverse effect on the Company's financial position, liquidity, or results of operations.

13. INCOME TAXES

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. A reconciliation of the provision for income taxes is as follows for the year ended October 31, 2020:

Current	$	(2,418)
Deferred		1,379,990
	$	1,377,572

Income tax expense is computed by applying the Federal corporate tax rate of 21% for the year ended October 31, 2020 and is reconciled to the provision for income taxes as follows:

Federal income taxes	$	926,360
Changes in valuation allowance - federal		(5,978,468)
State taxes, net of federal		128,609
Expiration of NOLs & credit carryovers		6,107,422
Other		193,649
	$	1,377,572

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes as of October 31, 2020 were as follows:

Deferred tax assets:		
Net operating loss carryforward	$	21,814,777
Research & experimentation credits		4,717,857
State credits		1,042,612
Other		276,490
Total deferred tax assets		27,851,736
Valuation allowance		(8,666,064)
Total net deferred tax assets	$	19,185,672
Deferred tax liabilities:		
Goodwill	$	(740,275)
State credits - federal		(145,063)
Total deferred tax liabilities	$	(885,338)
Total net deferred tax assets	$	18,300,334

As of October 31, 2020, the Company had federal net operating loss carry-forwards (“NOL's”) and research and experimentation credits (“R&E Credits”) available to reduce future taxable income of approximately $103.9 million and $4.7 million, respectively. Such deferred tax assets expire as follows:

2021 - 2023	$	35,500,000
2024 - 2028		19,900,000
2029 - 2033		34,900,000
2034 - 2037		18,300,000
	$	108,600,000

13. INCOME TAXES, CONTINUED

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. While the Company projects annual taxable income to increase steadily into the future, future profitability depends heavily on the Company's ability to borrow at rates averaging those incurred during the year ended October 31, 2020. Positive or negative changes in average borrowing rates greater than 0.50% could materially affect estimates of future taxable income and any related valuation allowances.

As of October 31, 2020, a valuation allowance of $8.7 million was recorded against the deferred tax asset so that only the portion of the deferred tax asset that is more likely than not to be realized remains at October 31, 2020. The valuation allowance is due primarily to the significant amount of deferred tax assets expiring over the next two years. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

14. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated all material events or transactions that occurred after October 31, 2020, the consolidated balance sheet date, and through January 20, 2021, the date the consolidated financial statements were available to be issued, noting the following transaction for disclosure as a subsequent event.

The Company has partnered with an outside party to participate as a lender in the second round of the PPP loan program implemented by the SBA which opened for non-bank financial institutions on January 13, 2020.

SUPPLEMENTAL INFORMATION

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED OCTOBER 31, 2020
UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 20,649	$ 2,106,410	$ -	$ 2,127,059
Restricted cash	-	3,004,051	-	3,004,051
Interest receivable	-	930,871	-	930,871
Current portion of notes receivable	-	1,527,234	-	1,527,234
Current portion of other notes receivable	-	7,014	-	7,014
Intercompany receivables	-	21,553,266	(21,553,266)	-
Inventory	-	10,544,236	-	10,544,236
Prepaid expenses and other current assets	147,392	264,253	-	411,645
Total current assets	168,041	39,937,335	(21,553,266)	18,552,110
NON-CURRENT ASSETS				
Notes receivable, net of current maturities and allowance of $0	-	127,304,450	-	127,304,450
Other notes receivable, net of current maturities, participations and allowance of $0	-	1,583,761	-	1,583,761
Goodwill	18,566,966	-	-	18,566,966
Deferred tax asset	18,300,334	-	-	18,300,334
Investment in subsidiary	30,055,705	-	(30,055,705)	-
Total non-current assets	66,923,005	128,888,211	(30,055,705)	165,755,511
TOTAL ASSETS	$ 67,091,046	$ 168,825,546	$ (51,608,971)	$ 184,307,621
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ -	$ 222,610	$ -	$ 222,610
Accrued liabilities	40,441	313,460	-	353,901
Escrow liabilities	-	2,886,249	-	2,886,249
Intercompany payables	21,553,266	-	(21,553,266)	-
Current portion of credit facilities	-	75,694,845	-	75,694,845
Current portion of other note payable	-	191,337	-	191,337
Current portion of acquisition notes payable	2,495,172	-	-	2,495,172
Total current liabilities	24,088,879	79,308,501	(21,553,266)	81,844,114
NON-CURRENT LIABILITIES				
Credit facilities, net of current maturities	-	39,481,435	-	39,481,435
Other note payable, net of current maturities	-	1,144,234	-	1,144,234
Acquisition notes payable, net of current maturities	10,582,769	-	-	10,582,769
Payroll protection program loan	-	376,800	-	376,800
Other long-term liabilities	-	407,091	-	407,091
Total non-current liabilities	10,582,769	41,409,560	-	51,992,329
TOTAL LIABILITIES	34,671,648	120,718,061	(21,553,266)	133,836,443
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	242,471,412	13,351,925	(13,351,925)	242,471,412
Accumulated earnings (deficit)	(210,057,986)	16,703,780	(16,703,780)	(210,057,986)
Controlling interests	32,419,398	30,055,705	(30,055,705)	32,419,398
Non-controlling interests	-	18,051,780	-	18,051,780
TOTAL EQUITY	32,419,398	48,107,485	(30,055,705)	50,471,178
TOTAL LIABILITIES AND EQUITY	$ 67,091,046	$ 168,825,546	$ (51,608,971)	$ 184,307,621

See report of independent registered public accounting firm regarding supplemental information.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2020
UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
REVENUES				
Interest income	$ -	$ 12,633,818	$ -	$ 12,633,818
Property sales	-	23,461,898	-	23,461,898
Other revenue	-	538,876	-	538,876
Total revenues	-	36,634,592	-	36,634,592
COSTS AND EXPENSES				
Interest expense	-	5,712,138	-	5,712,138
Cost of properties sold	-	20,297,457	-	20,297,457
Salaries and wages	114,449	2,724,664	-	2,839,113
Professional fees	-	708,139	-	708,139
Other general and administrative	305,446	1,014,191	-	1,319,637
Total costs and expenses	419,895	30,456,589	-	30,876,484
Income (loss) from operations	(419,895)	6,178,003	-	5,758,108
OTHER EXPENSES				
Interest expense	(734,005)	-	-	(734,005)
Total other expenses	(734,005)	-	-	(734,005)
Income (loss) before income tax provision	(1,153,900)	6,178,003	-	5,024,103
INCOME TAX PROVISION	(1,377,572)	-	-	(1,377,572)
NET INCOME (LOSS)	(2,531,472)	6,178,003	-	3,646,531
Less: net income attributable to non-controlling interests	-	(630,000)	-	(630,000)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (2,531,472)	$ 5,548,003	$ -	$ 3,016,531

See report of independent registered public accounting firm regarding supplemental information.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OCTOBER 31, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Crossroads Systems, Inc. and Subsidiaries:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Crossroads Systems, Inc. and subsidiaries (the "Company") as of October 31, 2019, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit includes performing procedures to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated financial statements. Such information has not been subjected to the auditng procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Baker Tilly Virchow Krause, LLP

BAKER TILLY VIRCHOW KRAUSE, LLP
We have served as the Company's auditor since 2018
Plano, Texas
January 28, 2020

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

OCTOBER 31, 2019

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,656,114
Restricted cash		2,583,057
Interest receivable		893,343
Current portion of notes receivable		1,447,842
Current portion of other notes receivable		339,429
Inventory		11,796,430
Prepaid expenses and other current assets		351,547
Total current assets		19,067,762
NOTES RECEIVABLE, net of current maturities and allowance of $0		115,435,031
OTHER NOTES RECEIVABLE, net of current maturities and allowance of $0		6,463,049
GOODWILL		18,566,966
DEFERRED TAX ASSET		19,680,324
OTHER NON-CURRENT ASSETS		36,083
TOTAL ASSETS	$	179,249,215
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$	289,230
Accrued liabilities		609,546
Escrow liabilities		2,646,581
Current portion of credit facilities		66,167,346
Current portion of other note payable		179,327
Current portion of acquisition notes payable		2,495,168
Total current liabilities		72,387,198
CREDIT FACILITIES, net of current maturities		45,608,430
OTHER NOTE PAYABLE, net of current maturities		1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities		12,418,163
OTHER LONG-TERM LIABILITIES		156,049
TOTAL LIABILITIES		131,905,411
EQUITY		
Common stock, $0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding		5,972
Additional paid in capital		242,358,843
Accumulated deficit		(213,074,517)
Crossroads Systems, Inc. stockholders' equity		29,290,298
Non-controlling interests		18,053,506
TOTAL EQUITY		47,343,804
TOTAL LIABILITIES AND EQUITY	$	179,249,215

The accompanying notes are an integral part of these consolidated financial statements.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2019

REVENUES		
Interest income	$	11,986,113
Property sales		25,330,557
Other revenue		387,265
Total revenues		37,703,935
COSTS AND EXPENSES		
Interest expense		6,343,947
Cost of properties sold		21,138,085
General and administrative		1,962,626
Salaries and wages		2,788,032
Total costs and expenses		32,232,690
Income from operations		5,471,245
OTHER EXPENSES		
Interest expense		(1,110,230)
Total other expenses		(1,110,230)
Income before income tax provision		4,361,015
INCOME TAX PROVISION		1,990,988
NET INCOME		2,370,027
Less: net income attributable to non-controlling interests		617,582
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$	1,752,445

The accompanying notes are an integral part of these consolidated financial statements.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2019

	Common Stock		Additional Paid-In	Accumulated	Non-Controlling	Total
	Shares	Amount	Capital	Deficit	Interests	Equity
BALANCE, OCTOBER 31, 2018	5,971,994	$ 5,972	$ 242,358,843	$ (214,826,962)	$ 15,546,075	$ 43,083,928
Preferred equity issuance	-	-	-	-	2,500,000	2,500,000
Preferred dividend distributions	-	-	-	-	(610,151)	(610,151)
Net income	-	-	-	1,752,445	617,582	2,370,027
BALANCE, OCTOBER 31, 2019	5,971,994	$ 5,972	$ 242,358,843	$ (213,074,517)	$ 18,053,506	$ 47,343,804

The accompanying notes are an integral part of these consolidated financial statements.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	2,370,027
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on derivative related activity		403,369
Amortization of deferred financing fees		45,800
Provision for income taxes		1,984,962
Changes in operating assets and liabilities:		
Interest receivable		(161,836)
Notes receivable		(14,662,839)
Inventory		(4,308,159)
Prepaids and other assets		(15,478)
Accounts payable		233,088
Accrued liabilities		(304,732)
Escrow liabilities		113,233
Net cash used in operating activities		(14,302,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions		2,500,000
Preferred equity dividend distributions		(610,151)
Borrowings on credit facilities, net		35,922,085
Principal payments on credit facilities		(19,328,516)
Principal payments on other notes payable		(168,071)
Principal payments on acquisition note payable		(4,639,155)
Net cash provided by financing activities		13,676,192
Net change in cash and cash equivalents and restricted cash		(626,373)
Cash and cash equivalents and restricted cash at beginning of period		4,865,544
Cash and cash equivalents and restricted cash at end of period	$	4,239,171
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$	7,398,591
Cash paid for income taxes	$	6,026

The accompanying notes are an integral part of these consolidated financial statements.

1. COMPANY PROFILE AND NATURE OF OPERATIONS

Crossroads Systems, Inc. (OTC Pink: CRSS) (the “Company”, “CRSS” or “Parent”) was an intellectual property licensing company headquartered in Austin, Texas. Founded in 1996 as a product solutions company, Crossroads created some of the storage industry's most fundamental patents and licensed patents to more than 50 companies prior to filing for re-organization under Chapter 11 of the Federal Bankruptcy Code on August 13, 2017.

On December 18, 2017, the Parent closed on the acquisition of 100% of the common equity of Capital Plus Financial, LLC (“CPF”), a Texas based community development financial institution (“CDFI”). CPF’s mission is to make homeownership available to the Hispanic market throughout Texas. CPF is also a certified B Corporation which is a group of for-profit companies certified to meet rigorous standards of social and environmental performance, accountability and transparency. CPF operates in Texas where it acquires, renovates, and sells single family homes providing seller financing through notes receivable.

Principals of Consolidation

The consolidated financial statements include the accounts of CRSS and CPF. Capital Mortgage Servicing, LLC (“CMS”) is wholly owned by CPF. (collectively, “we”, “us”, or the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The operations are for the period from November 1, 2018 through October 31, 2019.

Cash and Cash Equivalents

The Company considers all currency on hand, money market accounts, and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash includes escrow accounts related primarily to CMS’s mortgage servicing obligations.

Notes Receivable

The Company originates predominantly 30 year notes receivable through sales of rehabilitated homes or purchases notes receivable that are secured by an assignment of a deed of trust. The Company intends to hold the notes for the long-term as it has the ability to fund the notes receivable through borrowings from lenders that are secured by the notes receivable and properties. Notes receivable are stated at their unpaid principal balances less an allowance for loan losses. The average contractual interest rate per note was approximately 10.55% as of October 31, 2019. Interest income is recognized monthly per the terms of the respective loan agreements. Notes receivable have maturities that range from 4 to 30 years. All of the Company’s loans and underlying collateral are located in Texas.

The Company uses payment history to monitor the credit quality of the notes receivable on an ongoing basis. The Company assesses the carrying value of its notes receivable for impairment when it determines that impairment indicators are present. Notes are evaluated for impairment when it is probable the Company will be unable to collect all amounts due for scheduled principal and interest payments, including notes in the process of repossession. Impaired notes are generally measured based on the fair value of the collateral. Impaired notes, or portions thereof, are charged off when deemed uncollectible. A specific reserve is created for impaired notes based on the fair value of the underlying collateral. No specific impairment was deemed necessary as of October 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Notes Receivable, Continued

The Company may also receive escrow payments for property taxes and insurance included in its note receivable collections. The liabilities associated with these escrow collections totaled $2,646,581 as of October 31, 2019 and are included in escrow liabilities on the consolidated balance sheet.

The Company purchased $2,677,288 in notes receivable from third-parties at face value near the time they were originated during the year ended October 31, 2019. The Company did not sell any notes during the year ended October 31, 2019.

Allowance for Loan Losses on Notes Receivable

The allowance for loan losses reflects management's estimate of probable and inherent losses in the notes receivable balances that may be uncollectible based upon review and evaluation of the loan portfolio as of the consolidated balance sheet date. An allowance for loan losses is determined after giving consideration to, among other things, the loan characteristics, including the financial condition of borrowers, the value and liquidity of collateral, delinquency and historical loss experience.

In addition, the Company considers such factors as changes in the nature and volume of the portfolio, overall portfolio quality, and current economic conditions. The Company applies multiple strategies to mitigate the risks associated with delinquent loans, including foreclosures and subsequent rehabilitation and resales. As a result, the Company historically has not experienced any significant losses and has determined that an allowance for probable and inherent loan losses was not required as of October 31, 2019.

The Company's policy is to place a note receivable on nonaccrual status when either principal or interest is past due and remains unpaid for 90 days or more. Accrued interest receivable is reversed for notes placed on nonaccrual status. Payments received on nonaccrual notes receivable are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be recoverable. The accrual of interest resumes when the past due principal becomes current. The unpaid principal balance of notes receivable on nonaccrual status was $1,111,229 at October 31, 2019.

The Company assesses the collectability of notes receivable on a note by note basis to determine if formal foreclosure proceedings are necessary. The total principal balance of notes receivable for which the Company has begun formal foreclosure proceedings totaled $310,641 as of October 31, 2019.

Other Notes Receivable

From time to time, the Company will provide higher value financing for residential or commercial real estate. As of October 31, 2019, the Company had an outstanding balance of $4.96 million in such financing on three residential properties and $1.85 million for two commercial properties. The average rate on the financings for residential and commercial properties as of October 31, 2019 was 10.2% and 7.75%, respectively. The residential properties require monthly principal and interest payments based on 30-year amortization schedules maturing between 2047 and 2049. The commercial properties require at least monthly interest payments and have maturity dates ranging from November 2020 through February 2022.

Due to their individually significant balances, the Company continually monitors other notes receivable for potential losses and the need for an allowance for loan losses. As of October 31, 2019, all other notes receivable were current and in good standing, and based on the borrowers' history and values of the associated properties, the Company determined no allowance for loan losses was required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory

Inventory consists of properties that are currently undergoing remodeling or are being held for sale. Inventory is stated at the lower of its cost or net realizable value using the specific identification method. Repair costs, commissions, closing costs, interest and other costs associated with individual properties are included in the cost of the property and are expensed as part of the cost of sales when the property is sold.

The Company regularly evaluates inventories that are slow-moving or incurring costs in excess of budgeted costs. The Company determined a reserve for slow-moving inventory was not necessary as of October 31, 2019.

Goodwill

Goodwill resulted from the acquisition of CPF on December 18, 2017. Goodwill is accounted for in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill*. Management evaluates goodwill for impairment annually or when circumstances indicate the estimated fair value exceeds the reporting unit's carrying value indicating potential impairment of goodwill. The Company determined that goodwill was not impaired at October 31, 2019.

Revenue Recognition

Interest income on notes receivable and other notes receivable is recognized on the accrual basis when earned using the effective interest method. Revenue from residential home sales is recognized when title passes to the purchaser and collectability is reasonably assured. Revenue is recognized based on the contracted sales price.

Fair Value Measurement

The Company accounts for its derivative instruments in accordance with ASC 820-10, *Fair Value Measurement,* which among other things provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I measurement) and the lowest priority to unobservable inputs (level III measurements). The three levels of fair value hierarchy under ASC 820-10 are as follows:

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives.

Level II — Significant observable inputs other than quoted prices in active markets for which inputs to the valuation methodology include: (1) Quoted prices for similar assets or liabilities in active markets; (2) Quoted prices for identical or similar assets or liabilities in inactive markets; (3) Inputs other than quoted prices that are observable for the asset or liability; (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level III — Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, notes receivable, other notes receivable, credit facilities, other note payable and acquisition notes payable. The carrying amount of cash and cash equivalents approximates its fair value because it is short-term in nature. This is considered a Level I valuation technique. The credit facilities, other note payable and acquisition notes payable generally have short-term maturity dates or variable interest rates that reflect market rates and the Company has determined that their fair value approximates their carrying value. This is considered a Level II valuation technique. The Company assessed the fair value of notes receivable and other notes receivable and determined their fair value approximates their book value based on anticipated cash flows for principal and interest and relatively immaterial interest rate fluctuations, net of other factors.

Deferred Financing Fees

The Company incurred costs for deferred financing fees when obtaining the acquisition note payable to Veritex Community Bank detailed in Note 6. The debt issuance costs are presented as a deduction against the corresponding debt on the consolidated balance sheet. The deferred financing fees are amortized over the respective debt agreement with amortization expense included in other interest expense in the accompanying consolidated statement of operations. Amortization expense was $45,800 for the year ended October 31, 2019. Net deferred financing fees were $177,749 as of October 31, 2019.

Stock-Based Compensation

The Company recognizes compensation expense related to stock options and restricted stock on a straight-line basis over the requisite service period based on the estimated fair value of the awards on the date of grant. Compensation cost associated with stock options granted is determined using a calculated option value. The calculated value of each stock option grant was derived using the Black Scholes option-pricing model based on significant inputs including the Company's common stock price on the grant date, risk-free interest rate, expected option life, and expected volatility. The Company used the contractual life as the expected option life since no historical data exists. The Company used historical common stock data to estimate expected volatility for valuation of the stock options.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that could change in the near term and have a significant impact on the consolidated financial statements include the deferred tax assets and allowance for loan losses.

Income Taxes

The Company accounts for income taxes using the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

The Company recognizes the financial statement benefit of a tax position that does not meet the more-likely-than-not threshold only after expiration of the statute of limitations of the relevant tax authority sustains our position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. We recognize interest and penalties related to uncertain tax positions in income tax expense. There were no identified tax benefits or liabilities that were considered uncertain positions at October 31, 2019.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, cash equivalents, and notes receivable. The notes receivable are secured by the residential homes that were financed through the loan. The Company maintains deposits with major financial institutions, which from time-to-time, may exceed the federally insured limits at each institution. The Company had cash and restricted cash in financial institutions that exceeded federally insured limits of approximately $3.4 million. Management believes any potential credit risk is minimal.

Risks and Uncertainties

The Company's business is affected, directly and indirectly, by domestic and international economic and political conditions and by governmental monetary and fiscal policies. Conditions such as inflation, recession, real estate values, volatile interest rates, governmental monetary policy and other factors beyond the Company's control may adversely affect the Company's results of operations. Adverse economic conditions could result in an increase in notes receivable delinquencies, foreclosures and non-performing assets and a decrease in the value of property or other collateral which secures the Company's loans.

The Company relies on various forms of revolving and long-term borrowings to finance its working capital requirements and has historically demonstrated the ability to obtain additional financing or refinance maturing obligations as needed to support the Company’s ongoing financing needs. As disclosed in Note 6 of these consolidated financial statements, the Company had approximately $73.8 million in current debt obligations maturing within one year prior to refinancing the Oakwood Bank debt on January 21, 2020, which extended the maturity date to January 25, 2025 and reduced the current debt obligations on the consolidated balance sheet as of October 31, 2019 to approximately $66.2 million.

3. NOTES RECEIVABLE

The principal balance outstanding on the notes receivable and the expected principal collections for the next five years and thereafter are as follows for the years ending October 31:

2020	$ 1,447,842
2021	1,416,905
2022	1,560,569
2023	1,718,041
2024	1,849,025
Thereafter	108,890,491
	$ 116,882,873

3. NOTES RECEIVABLE, CONTINUED

A detailed aging of notes receivable that are past due as of October 31, 2019 are as follows:

			%
Total notes receivable	$	116,882,873	100.0
Past due notes receivable:			
31-60 days past due	$	3,414,668	2.9
61-90 days past due		384,014	0.3
91-120 days past due		274,135	0.2
Greater than 120 days past due		837,094	0.7
Total past due notes receivable	$	4,909,911	4.1

4. OTHER NOTES RECEIVABLE

The principal balance outstanding on the other notes receivable and the expected principal collections for the next five years and thereafter are as follows for the years ending October 31:

2020	$	339,429
2021		780,912
2022		828,626
2023		41,391
2024		45,776
Thereafter		4,766,344
	$	6,802,478

All other notes receivable were current and in good standing as of October 31, 2019.

5. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at October 31, 2019:

Interest payable	$	346,434
Professional fees		110,000
Salaries and wages		97,622
Other accrued liabilities		55,490
	$	609,546

6. DEBT

Credit Facilities

The Company uses various types of credit facilities to finance notes receivable and inventories. The loans are secured by notes receivable or inventories. Loans with Happy State bank and Oakwood bank were guaranteed by certain owners of the Company prior to the expiration of the guarantees in December 2019 and January 2020, respectively.

In connection with the credit facilities, the Company has agreed to comply with certain financial and non-financial covenants provided for in the agreements. Management was not aware of any covenant violations for the year ended October 31, 2019.

6. DEBT, CONTINUED

Credit Facilities, Continued

On January 21, 2020, the Oakwood Bank debt was refinanced, extending the maturity date to January 25, 2025 and increasing available funds to $10 million. The refinancing is reflected in the following schedules.

The Company had the following credit facilities as of October 31, 2019:

Lender	Interest Rate	Maturity Date	Balance
Texas Citizens Bank 9950	5.00%	9/20/2035 (a)	$ 3,599,134
First National Bank of Ballinger	4.25%	6/2/2020	9,957,777
First National Bank of Ballinger	5.75% (b)	2/20/2022	1,495,635
Bank SNB Term	4.35%	9/30/2020	16,805,736
Happy State Bank Interim Construction	5.75% - 6.00% (b)	FY 2020	884,325
Happy State Bank Interim Lot	6.00% (b)	4/15/2020	531,818
Happy State Bank Interim 2	6.50% (b)	5/17/2021 (c)	9,261,694
Happy State Bank Term	6.25%	9/18/2041	16,580,543
Happy State Bank Term 4	5.50%	10/1/2043	2,161,683
Oakwood Bank	5.25%	1/25/2025	5,081,208
Green Bank	5.76% (b)	4/25/2020 (a)	24,301,888
Legacy Bank Texas	5.28% (b)	6/11/2021	21,114,335
			111,775,776
Less current portion of credit facilities			(66,167,346)
Credit facilities, net of current maturities			$ 45,608,430

(a) These facilities are due on demand and presented as current.
(b) These facilities require only monthly interest payments through maturity.
(c) This facility allows for incramental borrowings, each due within a 12 month period.

Future minimum principal payments for the credit facilities are as follows for the years ending October 31:

2020	$ 66,167,346
2021	21,969,118
2022	2,356,070
2023	866,391
2024	872,668
Thereafter	19,544,183
	$ 111,775,776

Acquisition Notes Payable

To fund consideration in the December 18, 2017 acquisition of CPF, the Company entered into a $22,000,000 note payable with Veritex Community Bank (the “Veritex Note”) and a $2,200,000 note payable to CrossFirst Bank (the “CrossFirst Note”).

6. DEBT, CONTINUED

Acquisition Notes Payable, Continued

Veritex Note

The Veritex Note bears interest at the annual LIBOR rate plus an applicable margin of 4.50%, which was 6.35% at October 31, 2019. The Veritex Note requires monthly principal payment of $207,931, plus interest, through maturity on December 18, 2024, the date at which all unpaid principal and interest is due. The Veritex Note is collateralized by certain operating assets of the Company not already collateralized by the credit facilities. The balance on the Veritex Note, net of amortizing deferred financing fees of $177,749, was $12,891,703 at October 31, 2019.

CrossFirst Note

The CrossFirst Note was created to fund $2,200,000 of the purchase price in the acquisition of CPF to money market accounts in the seller's names at CrossFirst Bank to serve as collateral over the duration of the note. The CrossFirst Note requires a monthly interest payment at the CrossFirst Bank money market account rate plus an applicable margin of 1.00%, which was 2.49% at October 31, 2019. The CrossFirst Note was set to mature on December 14, 2019 but was amended effective December 14, 2019, subsequent to the consolidated balance sheet date, extending the CrossFirst Note maturity to December 14, 2021, when all unpaid principal and interest will be due. The balance on the CrossFirst Note was $2,199,377 at October 31, 2019.

Future minimum principal payments for the acquisition notes payable are as follows for the years ending October 31:

2020	$ 2,495,168
2021	2,495,168
2022	4,694,545
2023	2,495,168
2024	2,495,168
Thereafter	415,863
	$ 15,091,080

Other Note Payable

The Company assumed a note payable in the December 2017 acquisition of CPF with an outstanding principal balance as of the date of the acquisition totaling $1,827,750 (the "Other Note"). The Other Note is subordinate to the other debt obligations, accrues interest at 6.50% per annum, calls for monthly payments of principal and interest of $22,710, and matures on December 31, 2026. The balance on the Other Note was $1,514,898 at October 31, 2019.

Future minimum principal payments for the Other Note is as follows for the years ending October 31:

2020	$ 179,327
2021	191,337
2022	204,151
2023	217,823
2024	232,411
Thereafter	489,849
	$ 1,514,898

7. DERIVATIVES

The Company uses derivatives to manage risks related to changing interest rates. The Company does not enter into derivative contracts for speculative purposes. The Company is obligated under a master interest rate swap agreement with Bank SNB to fix the variable interest rate portion of the Bank SNB term note, which is based on the daily prime rate, to a fixed rate of 4.07%. The maturity date of this agreement is September 30, 2020. The swap agreement was not designated as a cash flow hedge and therefore, gains or losses on the swap agreement, as well as the other offsetting gains or losses on the hedged items attributable to the hedged risk, are recognized in current operations.

ASC 815-10, *Derivatives and Hedging,* requires derivative instruments to be measured at fair value and recorded in the consolidated balance sheet as either assets or liabilities. The interest rate swap agreement is considered a Level II investment. The Company recognized a loss of $403,369 for the year ended October 31, 2019 which was included with interest expense in costs and expenses in the consolidated statement of operations. The fair value of the derivative instrument is included in other non-current assets and was $11,543 at October 31, 2019.

8. OPERATING LEASES

The Company is obligated, as lessee, under non-cancelable operating lease agreements for office space located in Bedford, Texas and Houston, Texas. The lease agreements require monthly payments of $12,600 through their expiration in December 2022.

Future minimum payments required under non-cancelable operating lease agreements are as follows for the years ending October 31:

2020	$	151,200
2021		151,200
2022		151,200
2023		25,200
	$	478,800

Rent expense associated with non-cancelable operating leases for the year ended October 31, 2019 was $151,200.

9. STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 75 million shares of $0.001 par value common stock and 25 million shares of $0.001 par value preferred stock. As of October 31, 2019, 5,971,994 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

10. STOCK BASED COMPENSATION

The Company has granted incentive stock options ("ISOs") through the 2018 Stock Incentive Plan ("Stock Plan"). As of October 31, 2019, there were 797,760 shares authorized for issuance under the Stock Plan.

Stock option awards granted under the Stock Plan generally vest 100% three years from the grant date. Vested options do not expire while the recipient is an employee of the Company but are forfeited upon resignation or termination. Outstanding options were granted at an exercise price equal to the average of the Company's stock price over the 30 day period prior to the grant date. The exercise of stock options are fulfilled through the issuance of previously authorized but unissued common stock shares. During the year ended October 31, 2019, 5,000 stock options previously awarded to an employee at an exercise price of $7.47 were forfeited upon the employee's resignation. There were no outstanding stock options as of October 31, 2019.

11. NON-CONTROLLING INTERESTS – CPF PREFERRED EQUITY

CPF has 36 preferred units at $500,000 per unit outstanding as of October 31, 2019 with 5 new preferred units issued for $2.5 million during the year then ended.

The rights and privileges of preferred units are as follows:

- Duration and Voting: preferred units have no maturity date and have no voting rights.
- Dividends: Holders of preferred units are entitled to receive cumulative dividends at an annual rate of 3.50% through June 2022 and reset to the prime rate on a quarterly bases thereafter for the remainder of the investment.
- Conversion and Redemption: preferred units are not convertible into common units or any other equity of CPF or the Company and are redeemable at the Company's option after the fifth anniversary of the date of issuance.
- Liquidation preference: holders of preferred units are entitled to a liquidation preference equal to all dividends in arrears plus the initial capital contribution.

During the year ended October 31, 2019, CPF paid preferred dividends totaling $610,151 and had an accrued balance of $53,506 at October 31, 2019.

12. RELATED PARTY ACTIVITIES

The Company leases office space in Dallas, Texas on a month to month basis from Southwest Federated, Inc., a related party through common ownership. Monthly payments under the lease were $4,500 and total rental payments for the year ended October 31, 2019 were $54,000.

13. CONTINGENCIES

The Company is party to certain legal proceedings in the ordinary course of business. Common legal proceedings include, among other things, breach of contract and unlawful eviction. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that such claims will have a material adverse effect on the Company's financial position, liquidity, or results of operations.

14. INCOME TAXES

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. A reconciliation of the provision for income taxes is as follows for the year ended October 31, 2019:

Current	$	6,026
Deferred		1,984,962
	$	1,990,988

Income tax expense is computed by applying the Federal corporate tax rate of 21% for the year ended October 31, 2019 and is reconciled to the provision for income taxes as follows:

Federal income taxes	$	786,121
Changes in valuation allowance - federal		1,707,339
State taxes, net of federal		(674,321)
Expiration of NOLs & credit carryovers		360,026
Other		(188,177)
	$	1,990,988

14. INCOME TAXES, CONTINUED

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes as of October 31, 2019 were as follows:

Deferred tax assets:		
Net operating loss carryforward	$	28,340,683
Research & experimentation credits		5,078,587
State credits		1,259,649
Other		346,184
Total deferred tax assets		35,025,103
Valuation allowance		(14,698,773)
Total net deferred tax assets	$	20,326,330
Deferred tax liabilities:		
Goodwill	$	(464,151)
State credits - federal		(179,250)
Other		(2,605)
Total deferred tax liabilities	$	(646,006)
Total net deferred tax assets	$	19,680,324

As of October 31, 2019, the Company had federal net operating loss carry-forwards (“NOL's”) and research and experimentation credits (“R&E Credits”) available to reduce future taxable income of approximately $135.0 million and $5.1 million, respectively. Such deferred tax assets expire as follows:

2020 - 2022	$	60,500,000
2023 - 2027		25,700,000
2028 - 2032		22,100,000
2033 - 2037		31,800,000
	$	140,100,000

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. While the Company projects annual taxable income to increase steadily into the future, future profitability depends heavily on the Company’s ability to borrow at rates averaging those incurred during the year ended October 31, 2019. Positive or negative changes in average borrowing rates greater than 0.50% could materially affect estimates of future taxable income and any related valuation allowances.

On the basis of this evaluation, as of October 31, 2019, a valuation allowance of $14.7 million has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized, which is due primarily to the significant amount of deferred tax assets expiring over the next three years. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

15. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated all material events or transactions that occurred after October 31, 2019, the consolidated balance sheet date, and through January 28, 2020, the date the consolidated financial statements were issued, noting the following transaction for disclosure as a subsequent event.

On November 18, 2019, the Company announced it had reached a definitive agreement to acquire Rice Bancshares, Inc. ("RBI"), a registered bank holding company and owner of The First State Bank, a Texas Banking Association. The transaction is subject to regulatory approval.

RBI, through The First State Bank, operates four full service banking locations in low to moderate income tracts in Dallas, Texas. As of September 30, 2019, The First State Bank had a reported $150 million in assets and total equity capital of $20.1 million. The Company intends to merge the financial mortgage assets of CPF into The First State Bank so the Company's affordable housing platform is contained in a wholly owned community development corporation (“CDC”) subsidiary of the bank. The Company intends for The First State Bank to become a CDFI Bank and Minority Depository Institution once all required regulatory applications are filed.

SUPPLEMENTAL INFORMATION

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET

OCTOBER 31, 2019

UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 34,030	$ 1,622,084	$ -	$ 1,656,114
Restricted cash	-	2,583,057	-	2,583,057
Interest receivable	-	893,343	-	893,343
Current portion of notes receivable	-	1,447,842	-	1,447,842
Current portion of other notes receivable	-	339,429	-	339,429
Intercompany receivables	-	18,579,160	(18,579,160)	-
Inventory	-	11,796,430	-	11,796,430
Prepaid expenses and other current assets	203,385	148,162	-	351,547
Total current assets	237,415	37,409,507	(18,579,160)	19,067,762
NOTES RECEIVABLE, net of current maturities and allowance of $0	-	115,435,031	-	115,435,031
OTHER NOTES RECEIVABLE, net of current maturities and allowance of $0	-	6,463,049	-	6,463,049
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	19,680,324	-	-	19,680,324
INVESTMENT IN SUBSIDIARY	24,507,703	-	(24,507,703)	-
OTHER NON-CURRENT ASSETS	-	36,083	-	36,083
TOTAL ASSETS	$ 62,992,408	$ 159,343,670	$ (43,086,863)	$ 179,249,215
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 10,162	$ 279,068	$ -	$ 289,230
Accrued liabilities	199,457	410,089	-	609,546
Escrow liabilities	-	2,646,581	-	2,646,581
Intercompany payables	18,579,160	-	(18,579,160)	-
Current portion of credit facilities	-	66,167,346	-	66,167,346
Current portion of other note payable	-	179,327	-	179,327
Current portion of acquisition notes payable	2,495,168	-	-	2,495,168
Total current liabilities	21,283,947	69,682,411	(18,579,160)	72,387,198
CREDIT FACILITIES, net of current maturities	-	45,608,430	-	45,608,430
OTHER NOTE PAYABLE, net of current maturities	-	1,335,571	-	1,335,571
ACQUISITION NOTES PAYABLE, net of current maturities	12,418,163	-	-	12,418,163
OTHER LONG-TERM LIABILITIES	-	156,049	-	156,049
TOTAL LIABILITIES	33,702,110	116,782,461	(18,579,160)	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	242,358,843	13,351,925	(13,351,925)	242,358,843
Accumulated earnings (deficit)	(213,074,517)	11,155,778	(11,155,778)	(213,074,517)
Crossroads Systems, Inc. stockholders' equity	29,290,298	24,507,703	(24,507,703)	29,290,298
Non-controlling interests	-	18,053,506	-	18,053,506
TOTAL EQUITY	29,290,298	42,561,209	(24,507,703)	47,343,804
TOTAL LIABILITIES AND EQUITY	$ 62,992,408	$ 159,343,670	$ (43,086,863)	$ 179,249,215

See report of independent registered public accounting firm regarding supplemental information.

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2019
UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
REVENUES				
Interest income	$ -	$ 11,986,113	$ -	$ 11,986,113
Property sales	-	25,330,557	-	25,330,557
Other revenue	-	387,265	-	387,265
Total revenues	-	37,703,935	-	37,703,935
COSTS AND EXPENSES				
Interest expense	-	6,343,947	-	6,343,947
Cost of properties sold	-	21,138,085	-	21,138,085
General and administrative	427,742	1,534,884	-	1,962,626
Salaries and wages	27,970	2,760,062	-	2,788,032
Total costs and expenses	455,712	31,776,978	-	32,232,690
Income (loss) from operations	(455,712)	5,926,957	-	5,471,245
OTHER EXPENSES				
Interest expense	(1,110,230)	-	-	(1,110,230)
Total other expenses	(1,110,230)	-	-	(1,110,230)
Income (loss) before income tax provision	(1,565,942)	5,926,957	-	4,361,015
INCOME TAX PROVISION	1,990,988	-	-	1,990,988
NET INCOME (LOSS)	(3,556,930)	5,926,957	-	2,370,027
Less: net income attributable to non-controlling interests	-	617,582	-	617,582
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (3,556,930)	$ 5,309,375	$ -	$ 1,752,445

See report of independent registered public accounting firm regarding supplemental information.