CROSSROADS SYSTEMS, INC

A Delaware Corporation
4514 Cole Avenue, Suite 1600
Dallas, TX 75205

(214) 999-0149
www.crossroads.com

SIC CODE: 6712

Quarterly Report

For the Period Ending: July 31, 2021
(the "Reporting Period")

The number of shares outstanding of our Common Stock is **5,971,994** SHARES as of July 31, 2021.

The number of shares outstanding of our Common Stock was **5,971,994** SHARES as of October 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) and the address of its principal executive officers

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

The address of the issuer's 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 2 Shares Outstanding

	COMMON STOCK		
	As of July 31, 2021	**As of October 31, 2020**	**As of October 31, 2019**
Number of Shares Authorized	75,000,000	75,000,000	75,000,000
Number of Shares outstanding	5,971,774	5,971,774	5,971,994
Number of Shares in Public Float	1,662,842	1,522,221	1,330,241
Total Number of Shareholders of record	136	162	157
Total Number of Shareholders holding at least 100 shares	43	57	52

List of securities offerings and shares issued for services in the past two years

None

Item 3 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 July 31, 2021, 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

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 4 Management's Discussion and Analysis

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 Quarterly 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. The quarterly reporting period is from May 1, 2021, to July 31, 2021. The comparative period is from May 1, 2020, to July 31, 2020

Fiscal 2021 Financial Overview & Results of Operations

Operations

Total revenue from operations for the nine months ended July 31, 2021, was $970.5 million compared to $27.5 million for the same period of 2020. The increase in revenue was the result of the Company participating in the Payment Protection Program (PPP) administered by the Small Business Administration ("SBA"). The Company earned fees from the program totaling approximately $930.0 million. The Company has taken the full amount of fees earned during the period from the program into income. The operating revenue for the period was $40.5 million compared to $27.1 million for the same period of 2020. The increase was from increased home sales and portfolio growth. Net operating income before taxes and non-controlling interest for the nine months ended July 31, 2021, was $320.2 million compared to $3.5 million for the same period of 2020.

Net Earnings Per Share

Net earnings per share from operations before taxes and after non-controlling interests for the nine months ended July 31, 2021, was $53.54 compared to $0.51 for the nine months ended July 31, 2020. The increase in the earnings per share was primarily due to the Company's participation in the PPP lending program.

Results of Operations

Comparison of the Three Months Ended July 31, 2021, to the Three Months Ended July 31, 2020

The following table sets forth selected consolidated operating results stated in dollars and percentage from the prior year:

	For the Three Months Ended		Increase/(Decrease)	
	July 31, 2021	July 31, 2020	$	%
REVENUES				
Interest income	$ 14,910,841	$ 3,125,498	$ 11,785,343	377.1%
Property sales	6,092,931	7,132,600	(1,039,669)	-14.6%
Other revenue	465,610,289	12,881	465,597,408	3614606.1%
Total revenues	486,614,061	10,270,979	476,343,082	4637.8%
COSTS AND EXPENSES				
Interest expense	5,576,284	1,271,583	4,304,701	338.5%
Cost of properties sold	5,391,903	6,298,319	(906,416)	-14.4%
General and administrative	290,766,065	513,128	290,252,937	56565.4%
Salaries and wages	19,204,171	743,053	18,461,118	2484.5%
Total costs and expenses	320,938,423	8,826,083	312,112,340	3536.2%
Income from operations	165,675,638	1,444,896	164,230,742	11366.3%
OTHER EXPENSES				
Interest expense	(111,250)	(155,626)	44,376	-28.5%
Total other expenses	(111,250)	(155,626)	44,376	-28.5%
Income before income tax provision	165,564,388	1,289,270	164,275,118	12741.7%
INCOME TAX PROVISION	(38,452,695)	(152,446)	(38,300,249)	25123.8%
NET INCOME	127,111,693	1,136,824	125,974,869	11081.3%
Less: net income attributable to non-controlling interests	(155,773)	(157,068)	1,295	-0.8%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$126,955,920	$ 979,756	$ 125,976,164	12857.9%
Earnings (loss) per share:				
Cash income attributable to common shareholders	126,955,920	1,132,202	125,823,718	11113.2%
Weighted average shaes outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	$ 21.26	$ 0.19	$ 21.07	11113.2%

Total Revenues

Total property sales revenue from the sale of recently rehabilitated homes was $6.1 million for the quarter ended July 31, 2021, compared to $ 7.1 million for the quarter ended July 31, 2020. Sales during the third quarter of 2021 were relatively flat compared to the quarter ended July 31, 2020, due to lower homes being available for sale during the period.

Total interest income revenue generated from the Company's mortgage note receivable portfolio and from the PPP loan program was $14.9 million for the quarter ended July 31, 2021, compared to $3.1 million for the quarter ended July 31, 2020. The increase was the result of growth in the total mortgage note receivable portfolio during the period and the addition of PPP loans to the portfolio. The Company funded approximately $6.1 billion in PPP loans generating an annual interest rate of 1%.

Other revenues include processing fees the company earned from originating PPP loans during the quarter ended July 31, 2021. The increase in revenues for processing fees was the result of the Company participation in the Payment Protection Program (PPP) administered by the Small Business Administration ("SBA"). The Company earned fees from the program totaling approximately $465.6 million for the quarter. The Company has taken the full amount of fees earned during the period from the program into income. The Company funded approximately 400,000 loans during the period. No such fees were earned during the quarter ended July 31, 2020.

Cost of Goods Sold

The cost of goods sold related to the sale of homes were at $5.4 million for the quarter ended July 31 2021, compared to $ 6.3 million for the quarter ended July 31, 2020, as sales remained relatively flat for the comparative periods. The Company experienced increased costs for labor and materials during the period resulting from supply shortages, retailer supply chain disruptions and material inflation.

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 the cost of goods sold is the interest expense on the mortgage note receivable portfolio. The interest expense related to the portfolio income was $5.6 million for the quarter ended July 31, 2021, compared to $1.3 million for the quarter ended July 31, 2020. The interest expense was higher due to the Company's participation in the PPP program. The Company borrowed $6.4 billion from the Federal Reserve Bank of Cleveland to fund the loans it had originated at 35 bps per annum. The Company accrued approximately $4.6 million in interest expenses related to these borrowing. This was offset by lower debt costs on the mortgage note portfolio.

Operating Expenses

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

Total operating expenses were $310.0 million for the quarter ended July 31, 2021, compared to $1.3 million for the quarter ended July 31, 2020. Of these operating expenses, $289.4 million are related to the PPP loan program the Company participated in. These expenses represent the fees paid to the loan servicer provider for the origination and forgiveness of the PPP loans and were paid and accrued based on amounts earned during the quarter. In addition, the company paid executive, board and employee bonuses in the amount of $18.7 million. Normal operating expenses as a percentage of total revenues were at 8.6% for the quarter ended July 31, 2021 decreasing from 12.2% from the same reporting period of 2020. The decrease was the result of increased interest income from the PPP loan program.

Other Income/Expense

The other interest expense relates to interest from acquisition debt. Total other interest expenses decreased by approximately $44,000 from the quarter ended July 31, 2021, compared to the quarter ended July 31, 2020, due to the principal reduction on this debt. The balance on the acquisition debt as of July 31, 2021, was $9.0 million compared to $11.6M at July 31, 2020.

Comparison of the Nine Months Ended July 31, 2021, to the Nine Months Ended July 31, 2020

	For the Nine Months Ended		Increase/(Decrease)	
	July 31, 2021	July 31, 2020	$	%
REVENUES				
Interest income	$ 23,777,722	$ 9,339,624	$ 14,438,098	154.6%
Property sales	16,733,791	17,736,312	(1,002,521)	-5.7%
Other revenue	929,984,144	378,249	929,605,895	245765.6%
Total revenues	970,495,657	27,454,185	943,041,472	3435.0%
COSTS AND EXPENSES				
Interest expense	9,134,509	4,356,322	4,778,187	109.7%
Cost of properties sold	14,468,546	15,425,606	(957,060)	-6.2%
General and administrative	609,024,279	1,487,181	607,537,098	40851.6%
Salaries and wages	20,731,003	2,103,878	18,627,125	885.4%
Total costs and expenses	653,358,337	23,372,987	629,985,350	2695.4%
Income from operations	317,137,320	4,081,198	313,056,122	7670.7%
OTHER EXPENSES				
Interest expense	(372,859)	(550,947)	178,088	-32.3%
Other income/(expenses)	3,447,921	-	3,447,921	0%
Total other expenses	3,075,062	(550,947)	3,626,009	-658.1%
Income before income tax provision	320,212,382	3,530,251	316,682,131	8970.5%
INCOME TAX PROVISION	(69,991,591)	(448,398)	(69,543,193)	15509.3%
NET INCOME	250,220,791	3,081,853	247,138,938	8019.2%
Less: net income attributable to non-controlling interests	(469,910)	(472,931)	3,021	-0.6%
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 249,750,881	$ 2,608,922	$247,141,959	9473.0%
Earnings (loss) per share:				
Cash income attributable to common shareholders	271,594,104	3,057,320	268,536,784	8783.4%
Weighted average shaes outstanding	5,971,994	5,971,994	-	0.0%
Cash income per share	$ 45.48	$ 0.51	$ 44.97	8783.4%

Total Revenues

Total property sales revenue from the sale of recently rehabilitated homes was $16.7 million for the nine months ended July 31, 2021 compared to $17.7 million for the period ended July 31, 2020. Sales were flat during the period due to the fewer completed homes being available for sale during the period given tight inventory levels in Texas making it more difficult to find blighted homes to restore.

Total interest income revenue generated from the Company's mortgage note receivable portfolio increased to $27.3 million for the nine months ended July 31, 2021, compared to $9.3 million for the nine months ended July 31, 2020. The increase was the result of growth in the total mortgage note receivable portfolio during the period and the addition of PPP loans to the portfolio. The Company funded approximately $6.1 billion in PPP loans generating an annual interest rate of 1%.

Other revenues include processing fees the Company earned from participation in the Payment Protection Program (PPP) administered by the Small Business Administration ("SBA"). Total fees earned during the nine month period were $930.0 million. The Company did not generate such fees for the same period in 2020. The Company has taken the full amount of fees earned during the period from the program into income. The Company funded approximately 400,000 loans during the period.

Cost of Goods Sold

The cost of goods sold related to the sale of homes was $14.5 million for the nine months ended July 31, 2021, compared to $15.6 million for the same period of 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 the cost of goods sold is the interest expense on the mortgage note receivable portfolio. The interest expense related to the portfolio income was $9.1 million for the nine months ended July 31, 2021, compared to $4.4 million for the nine months ended July 31, 2020. The interest expense was higher due to the Company's participation in the PPP program. The Company borrowed $6.4 billion from the Federal Reserve Board to fund the loans it had originated at 35 bps per annum and the term of the advances matches exactly with the term of the PPP loan issued to the company's customers The Company accrued approximately $5.5 million in interest expenses related to these borrowing. This was offset by lower debt costs on the mortgage note portfolio.

Operating Expenses

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

Total operating expenses were $629.8 million for the nine months ended July 31, 2021, compared to $3.6 million for the nine months ended July 31, 2020. Of these operating expenses, $606.4 million are related to the PPP loan program the Company participated in. These expenses represent the fees paid to the loan servicer provider for the origination and forgiveness of the PPP loans and were paid and accrued based on amounts earned during the period. In addition, the Company paid executive, board and employee bonuses in the amount of $18.7 million during the period. Normal operating expenses as a percentage of total revenues were at 11.6% for the nine months ended July 31, 2021 and decreased from 13.5% from the same reporting period of 2020 as a result of increased interest income from the PPP loan program in 2021.

Other Income/Expense

The other interest expense relates to interest from acquisition debt. Total other interest expenses decreased $178,000 for the nine months ended July 31, 2021, from the nine months ended July 31, 2020, due to the principal reduction on the debt. The balance on the acquisition debt as of July 31, 2021was $9.0 million compared to $11.9 million at July 31, 2020. The company received a deferral of principal payments for three months starting in April 2020. This principal amount will be due at the end of the loan period.

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 July 31, 2021, Capital Plus Financial had cash and lines of credit available with its current banking partners in excess of $30.0 million.

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 more favorable CRA assessment from their regulators.

Working Capital

Mortgage Note Portfolio

The mortgage note portfolio consists of $132.7 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 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 10.36% at July 31, 2021.

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 July 31, 2021.

As of July 31, 2021, the Company had a mortgage note receivable balance of $132.7 million compared to $121.4 million as of July 31, 2020.

In addition, the company carries higher value residential mortgage notes held for sale in its securities portfolio held to provide needed liquidity. From time to time, the Company will also provide commercial real estate loans as part of its community development mission. The outstanding balance of these loans at July 31, 2021, was $1.4 million compared to $ 6.2 million at July 31, 2020.

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 overhead 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 86% of the cost of properties sold in the consolidated statement of operations for the quarter ended July 31, 2021. As of July 31, 2021, 87 properties were being remodeled and 15 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 July 31, 2021.

As of July 31, 2021, gross inventory was $10.6 million compared to $10.5 million as of July 31, 2020.

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 July 31, 2021, was $7.7 million compared to $9.9 million at July 31, 2020. The variance in the balance is a result of having few properties available for rehab.

The outstanding balance on the mortgage loan revolving credit facility was $42.1 million as of July 31, 2021, compared to $ 44.9 million as of July 31, 2020. The decrease is the result of moving loans from the revolving credit facilities to a term credit facility during the fourth quarter of 2020.

Cash Flows Provided by Operations

Continuing Operations

Net cash used by operating activities during the nine months ended July 31, 2021, was $5.6 billion compared to $3.0 million of net cash used for the nine months ended July 31, 2020. The primary reason for this increase was the Company's participation in the PPP loan program and its funding of $6.1 billion in loans.

Cash Flows Used in Investing and Financing Activities

Net cash provided by financing activities during the nine months ended July 31, 2021, was $6.2 billion compared to $1.6 million for the nine months ended July 31, 2020. The primary reason for this increase was the Company's participation in the PPP loan program and its funding from the Federal Reserve of $6.4 billion to fund its PPP loans.

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.

Critical Accounting Policies and changes

N/A

Off-Balance Sheet Arrangements.

NA

Item 5 Legal Proceedings

Any current past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

None

Item 6 Defaults upon senior securities.

None

Item 7 Other Information.

None

Item 8 Exhibits.

EXHIBIT A

Financial Statements for the Period Ending July 31, 2021

Condensed Consolidated Balance Sheets as of July 31, 2021, and October 31, 2020

Condensed Consolidated Statements of Operations For the fiscal quarter ended July 31, 2021, and July 31, 2020; and for the fiscal nine-month period ended July 31, 2021, and July 31 2020

Condensed Consolidated Statements of Cash Flows For the fiscal quarter ended July 31, 2021, and July 31, 2020

Notes to the Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	July 31 2021	October 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 291,475,025	$ 2,127,059
Restricted cash	284,724,674	3,004,051
Interest and PPP loan fees receivable	15,201,285	930,871
Current portion of notes receivable	388,895	1,527,234
Current portion of other notes receivable	3,685	7,014
Inventory	10,606,419	10,544,236
Prepaid expenses and other current assets	305,195	411,645
Total current assets	602,705,178	18,552,110
NOTES RECEIVABLE, net of current maturities and allowance of $0	130,339,923	127,304,450
OTHER NOTES RECEIVABLE, net of current maturities, participations and allowance of $0	1,442,244	1,583,761
PPP LOAN RECEIVABLES	6,147,231,676	-
GOODWILL	18,566,966	18,566,966
DEFERRED TAX ASSET	-	18,300,334
OTHER NON-CURRENT ASSETS	132,673	-
TOTAL ASSETS	$ 6,900,418,660	$184,307,621
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 249,095	$ 222,610
Accrued liabilities	302,571,960	353,901
Escrow liabilities	2,490,500	2,886,249
		-
Current portion of credit facilities	-	75,694,845
Current portion of other note payable (subordinated)	49,003	191,337
Current portion of acquisition notes payable	623,793	2,495,172
Total current liabilities	305,984,351	81,844,114
CREDIT FACILITIES, net of current maturities	99,975,526	39,481,435
OTHER NOTE PAYABLE, net of current maturities (subordinated)	1,144,235	1,144,234
ACQUISITION NOTES PAYABLE, net of current maturities	8,408,912	10,582,769
PAYROLL PROTECTION PROGRAM LOAN	376,800	376,800
FED PPPLF CREDIT FACILITY	6,422,368,421	-
OTHER LONG-TERM LIABILITIES	594,715	407,091
TOTAL LIABILITIES	6,838,852,960	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	3,816,349	242,471,412
Accumulated deficit	39,692,893	(210,057,986)
Crossroads Systems, Inc. stockholders' equity	43,515,214	32,419,398
Non-controlling interests	18,050,485	18,051,780
TOTAL EQUITY	61,565,699	50,471,178
TOTAL LIABILITIES AND EQUITY	$ 6,900,418,660	$184,307,621

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	For the Nine Months Ended July 31, 2021	For the Nine Months Ended July 31, 2020
REVENUES		
Interest income	$ 23,777,722	$ 9,339,624
Property sales	16,733,791	17,736,312
Other revenue	929,984,144	378,249
Total revenues	970,495,657	27,454,185
COSTS AND EXPENSES		
Interest expense	9,134,509	4,356,322
Cost of properties sold	14,468,546	15,425,606
General and administrative	609,024,279	1,487,181
Salaries and wages	20,731,003	2,103,878
Total costs and expenses	653,358,337	23,372,987
Income from operations	317,137,320	4,081,198
OTHER EXPENSES		
Interest expense	(372,859)	(550,947)
Other income/(expenses)	3,447,921	-
Total other expenses	3,075,062	(550,947)
Income before income tax provision	320,212,382	3,530,251
INCOME TAX PROVISION	(69,991,591)	(448,398)
NET INCOME	250,220,791	3,081,853
Less: net income attributable to non-controlling interests	(469,910)	(472,931)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 249,750,881	$ 2,608,922
Earnings (loss) per share:		
Cash income attributable to common shareholders	271,594,104	3,057,320
Weighted average shaes outstanding	5,971,994	5,971,994
Cash income per share	$ 45.48	$ 0.51

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	As of July 31, 2021	As of July 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 250,220,790	$ 3,081,853
Adjustments to reconcile net income to net cash		
used in operating activities:		
Loss on derivative related activity	(105,702)	(105,702)
Stock based compensation	224,697	42,496
Amortization of deferred financing fees	(132,673)	22,993
Provision for income taxes	18,300,334	448,398
Changes in operating assets and liabilities:		
Account & Interest receivable	(14,270,414)	181
Notes receivable (Mortgages, other and PPP)	(6,148,983,964)	(5,292,267)
Inventory	(62,183)	852,188
Prepaids and other assets	106,450	27,158
Accounts payable	26,485	70,931
Accrued liabilities	302,511,385	(13,445)
Escrow liabilities	(395,749)	(872,724)
Net cash used in operating activities	(5,592,560,544)	(1,737,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions	-	2,500,000
Preferred equity dividend distributions	(471,206)	(472,931)
Common equity distributions	(238,879,760)	-
Paycheck Protection Program loan	-	376,800
Borrowings on credit facilities, net	2,752,674	19,157,858
Principal payments on credit facilities	(17,953,429)	(16,911,620)
Principal payments on other notes payable	(142,333)	(133,399)
Principal payments on acquisition note payable	(4,045,236)	(1,224,684)
Principal payments on participations in mortgage notes and other receivables	-	800,085
Proceeds from the federal reserve PPP credit facility	6,422,368,421	-
Net cash provided by financing activities	6,163,629,132	4,092,109
Net change in cash and cash equivalents and restricted cash	571,068,589	421,781
Cash and cash equivalents and restricted cash at beginning of period	5,131,110	1,656,114
Cash and cash equivalents and restricted cash at end of period	$ 576,199,699	$ 2,077,895
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 4,289,921	$ 5,087,850

1. COMPANY PROFILE AND NATURE OF OPERATIONS

Crossroads Systems, Inc. (OTCQX: 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, 2020, to July 31, 2021.

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 receivables are stated at their unpaid principal balances less an allowance for loan losses if any. The average contractual interest rate per note was approximately 10.36% as of July 31, 2021. Interest income is recognized monthly per the terms of the respective loan agreements. Notes receivable have maturities that range from 20 months 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 July 31, 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 $2,763,555 as of July 31, 2021 and are included in escrow liabilities on the consolidated balance sheet.

The Company has 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 $381,903 as of July 31, 2021.

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 considering, 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 July 31, 2021.

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 $1,061,224 at July 31, 2021.

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 $1,061,224 as of July 31, 2021.

Other Notes Receivable

From time to time, the Company will provide higher value financing for residential or commercial real estate. As of July 31, 2021, the Company had an outstanding balance of $1.1 million in such financing on a residential property and $87,000 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 a 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 has a Convertible Note Receivable to Verdigris Holdings, Inc (a Delaware Financial Services Company) for $50,000. The note accrues interest at 8% per annum and will mature on September 27, 2024. The Note has conversion rights based on additional equity financing required by the company

The Company also has a note receivable in the amount of $200,000 from Common Catalyst (a Colorado Corporation). The not matures on December 31, 2021 and accrues interest at a rate of 1% per year.

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 July 31, 2021, was $212,812.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 July 31, 2021, 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 overhead 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 86% of the cost of properties sold in the consolidated statement of operations for the period ended July 31, 2021. As of July 31, 2021, 87 properties were being remodeled and 15 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 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 continued growth in net income it was more likely than not goodwill was not impaired as of July 31, 2021.

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 of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, notes receivable, other notes receivable, credit facilities, other notes 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 July 31, 2021.

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 $25,516 for the period ended July 31, 2021. Net deferred financing fees were $116,245 as of July 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 July 31, 2021.

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 $573.8 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 the 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 $27.4 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 shutdowns. 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	$	388,894
2022		1,821,608
2023		2,011,643
2024		2,173,710
2025		2,389,160
Thereafter		123,962,624
	$	132,747,639

A detailed aging of notes receivable that are past due as of July 31, 2021, are as follows:

Total notes receivable	$	132,747,639	100.0
Past due notes receivable:			
31-60 days past due	$	3,322,313	2.5
61-90 days past due		1,230,835	0.9
91-120 days past due		352,546	0.3
Greater than 120 days past due		708,678	0.5
Total past due notes receivable	$	5,614,372	4.2

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 $212,812 loan participation, are as follows for the years ending October 31:

2021	$	3,685
2022		129,783
2023		8,854
2024		9,780
2025		10,803
Thereafter		1,033,024
	$	1,195,929

All other notes receivable were current and in good standing as of July 31, 2021.

5. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at July 31, 2021:

Board Compensation	$ 20,250
Interest payable	5,481,409
Professional Fees	40,000
PPP loan servicing fees	238,736,965
PPP loan fogiveness fees	10,000,000
Salaries and wages	50,000
	$ 254,328,624

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 period ended July 31, 2021.

The Company had the following credit facilities as of July 31, 2021:

Lender	Interest Rate	Maturity Date	Balance
Texas Citizens Bank 9950	4.75%	9/20/35 (a)	$ 3,263,998
First National Bank of Ballinger	0.05%	6/1/23	9,632,115
Happy State Bank Interim Construction (new)	5.00% (b)	10/9/21 (c)	787,416
Happy State Bank Interim Construction (lot)	6.00% (b)	5/11/22 (c)	292,469
Happy State Bank Interim 2	4.50% (b)	12/31/21 (c)	4,410,928
Happy State Bank Interim Rental Line	5.00% (b)	7/28/22	961,365
Happy State Bank Interim Rental Line 2	5.00%	5/11/23	856,920
Happy State Bank Flood Line	4.50% (b)	7/28/21 (c)	395,090
Happy State Bank Term	5.50%	9/18/41	15,858,591
Happy State Bank Term 4	5.50%	10/1/43	2,010,846
Oakwood Bank	3.75%	1/16/25	9,682,511
Oakwood Bank Accordian with Spirit Bank	3.75%	1/16/25	9,767,205
Veritex Bank (fromerly Green Bank)	3.84% (b)	4/25/22 (a,c)	17,199,055
Prosperity USA (formerly Legacy Bank Texas)	3.34% (b)	9/11/20 (a,c)	24,857,019
Veritex Community Bank - CRSS	4.59%	12/17/24	9,148,957
			109,124,483
Less current portion of credit facilities			(27,317,453)
Credit facilities, net of current maturities			$ 81,807,030

6. DEBT CONTINUED

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

2021	$ 27,317,453
2022	26,196,604
2023	13,265,408
2024	3,103,564
2025	19,588,538
Thereafter	19,652,916
	$ 109,124,483

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 4.59% at July 31, 2021. The Veritex Note requires a 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 July 31, 2021, the unpaid principal balance on the Veritex Note was $9,032,705. The Veritex Note is presented on the consolidated balance sheet net of amortizing deferred financing fees of $116,245 at July 31, 2021.

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 July 31, 2021, due to COVID-19 affecting various county government's ability to process foreclosures timely. The Company has the capability of curing the non-compliance and the lender has provided a temporary waiver related to the non-compliance.

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 for the note. The CrossFirst was paid in full during the period ended July 31, 2021.

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

2021	$ 623,793
2022	2,495,172
2023	2,495,172
2024	2,495,172
2025	1,039,648
	$ 9,148,957

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 $1,193,238 at July 31, 2021.

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

2021	$	49,003
2022		204,151
2023		217,823
2024		232,411
Thereafter		489,850
	$	1,193,238

Paycheck Protection Program Loan

On April 20, 2020, the Company qualified for and received a loan under 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 nine 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 for 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.

The Company applied for forgiveness in November of 2020 and is awaiting a response from the SBA.

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	$	37,800
2022		151,200
2023		25,200
	$	214,200

Rent expense associated with non-cancelable operating leases for the period ended July 31, 2021, was $113,400 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 July 31, 2021, 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 July 31, 2021, the unrecognized stock-based compensation expense was $566,758 and is expected to be recognized over a weighted average period of 2.65 years.

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 $224,697 of stock-based compensation expense was recorded for the period ended July 31, 2021.

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.

10. NON-CONTROLLING INTERESTS – CPF PREFERRED EQUITY

CPF has 36 preferred units at $500,000 per unit outstanding as of July 31, 2021.

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 quarterly 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 period ended July 31, 2021, CPF paid preferred dividends totaling $155,773 and had an accrued balance of $50,485 at July 31, 2021. Accrued dividends are included as a component of total ending equity for non-controlling interests at July 31, 2021.

11. RELATED PARTY ACTIVITIES

The Company leased 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 nine months ended July 31, 2021, were $31,500. The lease was cancelled effective June 1, 2021.

The Company leased office space in Dallas, Texas on a month to month basis from 210 Capital., a related party through common ownership. Monthly payments under the lease were $1,700 and total rental payments for the nine months ended July 31, 2021, were $6,800.

The Company holds 13 loans 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 July 31, 2021, the liability due to the officers of the Company totaled $267,091 and is included in other long-term liabilities on the consolidated balance sheet.

12. CONTINGENCIES

The Company is a 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 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 nine months ended July 31, 2021:

Current	$	48,243,336
Deferred		21,748,255
	$	69,991,591

As of October 31, 2020, the Company had federal net operating loss carryforwards (“NOL's”) and research and experimentation credits (“R&E Credits”) available to reduce the 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

14. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated all material events or transactions that occurred after July 31, 2021, the consolidated balance sheet date, and through September 14, 2021, the date the consolidated financial statements were available to be issued, noting the following transaction for disclosure as a subsequent event.

SUPPLEMENTAL INFORMATION

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE I:
CONSOLIDATED BALANCE SHEET
AS OF JULY 31, 2021

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 7,011,736	$ 284,463,289	$ -	$ 291,475,025
Restricted cash	-	284,724,674	-	284,724,674
Interest receivable	-	15,201,285	-	15,201,285
Accounts receivable				
Current portion of notes receivable	-	388,895	-	388,895
Current portion of other notes receivable	-	3,685	-	3,685
Intercompany receivables	3,143,910	290,289,928	(293,433,838)	-
Inventory	-	10,606,419	-	10,606,419
Prepaid expenses and other current assets	108,355	196,840	-	305,195
Total current assets	10,264,001	885,875,015	(293,433,838)	602,705,178
NOTES RECEIVABLE, net of current	-	130,339,923	-	130,339,923
maturities and allowance of $0	-		-	-
OTHER NOTES RECEIVABLE, net of current	-	1,442,244	-	1,442,244
PPP LOAN RECEIVABLES	-	6,147,231,676	-	6,147,231,676
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	-	132,673	-	132,673
INVESTMENT IN SUBSIDIARY	13,386,175	-	(13,386,175)	(0)
OTHER NON-CURRENT ASSETS	-	-	-	-
TOTAL ASSETS	$ 42,217,142	$ 7,165,021,531	$(306,820,013)	$ 6,900,418,660
		(0)		
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ -	$ 249,095	$ -	$ 249,095
Accrued liabilities	35,250	254,293,374	-	254,328,624
Escrow liabilities	-	2,490,500		2,490,500
Income taxes payable	48,243,336			48,243,336
Intercompany payables	290,289,928	-	(290,289,928)	-
Current portion of credit facilities	-	1,836,641		1,836,641
Current portion of other note payable (subordinated debt)	-	49,003	-	49,003
Current portion of acquisition notes payable	623,793		-	623,793
Total current liabilities	339,192,307	258,918,613	(290,289,928)	307,820,992
CREDIT FACILITIES, net of current maturities	-	98,138,885		98,138,885
OTHER NOTE PAYABLE, net of current maturities (subordinated)	-	1,144,235	-	1,144,235
ACQUISITION NOTES PAYABLE, net of current maturities	8,408,912	-	-	8,408,912
FEDERAL RESERVE PPPLF CREDIT FACILITY		6,422,368,421		6,422,368,421
PAYCHECK PROTECTION PROGRAM LOAN		376,800	-	376,800
OTHER LONG-TERM LIABILITIES	-	594,715	-	594,715
TOTAL LIABILITIES	347,601,219	6,781,541,669	(290,289,928)	6,838,852,960
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	3,816,347	-	-	3,816,347
Accumulated earnings (deficit)	(309,206,397)	365,429,378	(16,530,085)	39,692,896
Crossroads Systems, Inc. stockholders' equity	(305,384,078)	365,429,378	(16,530,085)	43,515,215
Non-controlling interests	-	18,050,485	-	18,050,485
TOTAL EQUITY	(305,384,078)	383,479,863	(16,530,085)	61,565,700
TOTAL LIABILITIES AND EQUITY	$ 42,217,141	$ 7,165,021,532	$(306,820,013)	$ 6,900,418,660

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED JULY 31, 2021

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Total
REVENUES			
Interest income	$ -	$ 23,777,722	$ 23,777,722
Property sales	-	16,733,791	16,733,791
Other revenue	-	929,984,144	929,984,144
Total revenues	-	970,495,657	970,495,657
COSTS AND EXPENSES			
Interest expense	-	9,134,509	9,134,509
Cost of properties sold	-	14,468,546	14,468,546
General and administrative	682,616	608,341,663	609,024,279
Salaries and wages	18,023,645	2,707,358	20,731,003
Total costs and expenses	18,706,261	634,652,076	653,358,337
Income (loss) from operations	(18,706,261)	335,843,581	317,137,320
OTHER EXPENSES			
Interest expense	(372,859)	-	(372,859)
Other income (expense)	3,447,921	-	3,447,921
Total other expenses	3,075,062	-	3,075,062
Income (loss) before income tax provision	(15,631,199)	335,843,581	320,212,382
INCOME TAX PROVISION	(69,991,591)	-	(69,991,591)
NET INCOME (LOSS)	(85,622,790)	335,843,581	250,220,791
Less: net income attributable to non-controlling interests	-	(469,910)	(469,910)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	(85,622,790)	335,373,671	249,750,881

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED JULY 31, 2021

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Total
REVENUES			
Interest income	$ -	$ 14,910,841	$ 14,910,841
Property sales	-	6,092,931	6,092,931
Other revenue	-	465,610,289	465,610,289
Total revenues	-	486,614,061	486,614,061
COSTS AND EXPENSES			
Interest expense	-	5,576,284	5,576,284
Cost of properties sold	-	5,391,903	5,391,903
General and administrative	437,142	290,328,924	290,766,066
Salaries and wages	17,873,703	1,330,468	19,204,171
Total costs and expenses	18,310,845	302,627,579	320,938,424
Income (loss) from operations	(18,310,845)	183,986,482	165,675,637
OTHER EXPENSES			
Interest expense	(111,250)	-	(111,250)
Total other expenses	(111,250)	-	(111,250)
Income (loss) before income tax provision	(18,422,095)	183,986,482	165,564,387
INCOME TAX PROVISION	(38,452,695)	-	(38,452,695)
NET INCOME (LOSS)	(56,874,790)	183,986,482	127,111,692
Less: net income attributable to non-controlling interests	-	(155,773)	(155,773)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (56,874,790)	$ 183,830,709	$ 126,955,919

Item 9 Certifications

10) Issuer Certification

I, Eric Donnelly, certify that:

I have reviewed this quarterly disclosure statement of Crossroads Systems, Inc.

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

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.

Date: Sept 14, 2021

Eric Donnelly
Chief Executive Officer

I, Farzana Giga, certify that:

I have reviewed this quarterly disclosure statement of Crossroads Systems, Inc.

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

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.

Date: Sept 14, 2021

Farzana Giga
Chief Financial Officer