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: January 31, 2022
(the "Reporting Period")

The number of shares outstanding of our Common Stock is **5,971,994** SHARES as of January 31, 2022.

The number of shares outstanding of our Common Stock was **5,971,994** SHARES as of October 31, 2021 (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: OTCQX

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 January 31, 2022	**As of October 31, 2021**	**As of October 31, 2020**
Number of Shares Authorized	75,000,000	75,000,000	75,000,000
Number of Shares outstanding	5,971,994	5,971,994	5,971,994
Number of Shares in Public Float	2,329,592	2,329,592	2,029,592
Total Number of Shareholders of record	133	134	162
Total Number of Shareholders holding at least 100 shares	41	41	57

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 quarter ending January 31, 2022 which are attached hereto as Exhibit A and are hereby incorporated by reference:

- Consolidated Balance Sheet
- Consolidated Statement of Operations
- 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, 2021 and October 31, 2020 ("Fiscal 2021"), and ("Fiscal 2020"):

- 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 2021 and Fiscal 2020 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 November 1, 2021 to January 31, 2022. The comparative period is from November 1, 2021 to January 31, 2022.

Fiscal 2022 Financial Overview & Results of Operations

Operations

As we indicated in our annual 2021 disclosure statement, fiscal 2021 was a transformational year for the Company. We continued working through unwinding PPP in the first quarter of 2022 along with growing our partnership with ECG and growing our RLBC acquisition. Total revenue from operations for the quarter ended January 31, 2022 was $63.1 million compared to $7.3 million for the same period of 2021. The increase in revenue was from recognizing PPP fee income of approximately $50.1 million during the quarter. Net operating income before taxes and non-controlling interest for the quarter ended January 31, 2022 was $51.7 million compared to $921,000 for the same period of 2021.

Net Earnings Per Share

Net earnings per share from operations before taxes and after non-controlling interests for the quarter ended January 31, 2022 was $8.64 compared to $0.13 for the quarter ended January 31, 2021. The increase in earnings per share was related to the PPP fee income recognized during the quarter.

Results of Operations

Comparison of the Three Months Ended January 31, 2022 to the Three Months Ended January 31, 2021.

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

Total Revenues

Total property sales revenue from the sale of recently rehabilitated homes was $4.6 million for the quarter ended January 31, 2022 compared to $4.0 million for the quarter ended January 31, 2021. Sales for the quarter were marginally higher due to increases in sales price and quantities.

Interest income as reported was $8.3 million compared to $3.3 million in 2021. Interest income generated from the Company's mortgage note receivable portfolio increased to $3.4 million for the quarter ended January 31, 2022 compared to $3.3 million for the same period of 2021. The additional increase of $4.9 million was primarily from CPF's participation in PPP and the impact of the ECG loan portfolio which grew from $7.5M at October 31, 2021 to $49.4 million as of January 31, 2022. PPP loans generate interest income of one percent per annum until the loans are forgiven. The Company had no such revenues for the quarter ended January 31, 2021.

Processing fee income generated from the Company's participation in PPP was $50.1 million for the quarter ended January 31, 2022. This fee income was booked as deferred income at the end of fiscal 2021 and is being taken into income as PPP loans are forgiven. The Company has approximately $20 million in deferred income as of January 31, 2022.

Cost of Goods Sold

The cost of goods sold related to the sale of homes were at $4.2 million for the quarter ended January 31, 2022 compared to $3.6 million for the quarter ended January 31, 2021. The increase in the costs was the result of additional home sales and costs on those homes being higher in the quarter ended January 31, 2022 compared to the same period of 2021.

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 Company's note portfolios. Total interest expense related to the mortgage note portfolio income was $1.2 million for the quarter ended January 31, 2022 compared to $1.4 million for the quarter ended January 31, 2021. The lower interest expense was the result of lower debt outstanding and lower interest rates on the debt for the quarter ended January 31, 2022. The remaining interest expense of $2.2 million was associated with the PPP and interest paid on the loan facility. Interest expense on the Federal PPP Liquidity Facility ("PPPLF") on the PPP loans is 35 bps per annum. The Company had no such expenses for the same period of 2021.

Processing fee expense related to PPP was $1.3 million for the quarter ended January 31, 2022. These fees were paid to the Company's lending service partners.

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 $2.4 million for the quarter ended January 31, 2022 compared to $1.2 million for the quarter ended January 31, 2021. Operating expenses as a percentage of total revenues, net PPP revenue, were at 18.5%

for the quarter ended January 31, 2022 and increased from 17% from the quarter ended January 31, 2021. The main driver of the increased expenses was related to addition of the impact loans and associated management fees of $247,000, $229,000 of administrative expenses for RLBC and $253,000 in professional fees. Additionally, salaries were $229,000 higher during the quarter because of increased headcount and stock compensation also increased by $113,000 for new stock award grants.

Other Income/Expense

The other interest expense relates to interest from acquisition debt. Total other interest expenses decreased approximately $41,000 from the quarter ended January 31, 2022 to the quarter ended January 31, 2021 due to the principal reduction on this debt. The balance on the acquisition debt at January 31, 2022 was $7.9 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 January 31, 2022, CPF had lines of credit available with its current banking partners in excess of $6.6 million in addition to cash on hand. We continue to monitor our financing needs.

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 $132 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 29.6%, 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 10.32% at January 31, 2022.

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 January 31, 2022.

As of January 31, 2022, the Company had a mortgage note receivable balance of $132 million compared to $129.8 million as of January 31, 2021.

Commercial and Other Note Portfolio

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 January 31, 2022 was $1.3 million compared to $1.7 million at January 31, 2021.

In 2021, the Company entered into an advisory agreement with Enhanced Capital Group ("Enhanced") to support their origination of impact loans into emerging communities by financing impact real estate projects, capital finance and small business loans to minority owned businesses and/or underserved communities. The Company funded eleven impact loans with outstanding principal of $49.4 million as of January 31, 2022. The impact loans have an average interest rate of 9% with the loans maturing from 10 months to 10 years. The Company had purchased no such loans for the quarter ended January 31, 2021.

PPP Loan Portfolio

During fiscal 2021, CPF funded approximately $6.3 billion in PPP loans with a stated interest rate of one percent and a five-year loan term. The loans are unsecured and fully guaranteed by the SBA and are eligible for forgiveness. As of January 31, 2022, approximately 73% of the loans were forgiven and the outstanding loan balance was approximately $1.71 billion. The loans are pledged to the federal reserve PPPLF and accrue interest at 35 bps per annum.

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 91.9% of cost of properties sold in the consolidated statement of operations for the quarter ended January 31, 2022. As of January 31, 2022, 73 properties were being remodeled and 17 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 January 31, 2022.

As of January 31, 2022, gross inventory was $10.6 million compared to $11.2 million as of January 31, 2021, a decrease of $600,000. The decrease in inventory is the result of increased demand on the overall housing market. We expect the inventory levels to start increasing over the next several quarters as markets return back to normal operations.

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 January 31, 2022 was $7.5 million compared to $9.1 million at January 31, 2021. The decrease in the outstanding balance is the result of decreasing inventories.

The outstanding balance on the mortgage loan revolving credit facility was $43.2 million as of January 31, 2022, compared to $39.4 million as of January 31, 2021. The increase is the result of placing loans onto the revolving credit facilities to a term credit facility during the quarter.

Cash Flows Provided by Operations

Continuing Operations

Net cash provided by operating activities during the quarter ended January 31, 2022 was $1.0 billion compared to $3.1 million of net cash used for the quarter ended January 31, 2021. The main driver of cash provided was the reduction in PPP loans receivable during the quarter.

Cash Flows Used in Investing and Financing Activities

Net cash used by financing activities during the quarter ended January 31, 2022 was $1.4 billion compared to $171,000 provided for the quarter ended January 31, 2021. The usage was the result of the PPP loans paid off on the PPPLF during the quarter.

There are no known trends, events or uncertainties that have or are reasonably likely 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

As of the date of this report, Crossroads is currently involved in the following litigation and investigations.

Greathouse v. Capital Plus Financial, LLC and Crossroads Systems, Inc.

On December 29, 2021, Eric Greathouse filed a case in the Eastern District of Arkansas against the Company and Capital Plus Financial, LLC ("CPF") on behalf of himself and a putative nationwide class of Paycheck Protection Program ("PPP") borrowers, who allegedly timely applied for PPP loans with Defendant CPF as the lender and who had their loans approved by the SBA but did not receive the PPP loan proceeds. The action asserts breach of contract and unjust enrichment against the defendants in connection with his and the putative class's claims. The Company denies allegations of any wrongdoing and intends to vigorously defend the case. On February 25, 2022, the Company filed a motion to dismiss all counts for lack of personal jurisdiction and standing and for failure to state a claim. At this time, the court has not issued a ruling.

Oto Analytics, Inc. D/B/A Womply v. Capital Plus Financial, LLC, Crossroads Systems, Inc., Eric Donnelly, Ba Fin Orion, LLC d/b/a Blueacorn, and Barry Calhoun

County TX (docket number DC-21-13097), which the Company and other defendants removed to the Northern District of Texas. Following removal and an amendment of their original complaint on December 23, 2021, the case alleges

various torts, including fraud and tortious interference with contract, in connection with Womply's allegations regarding its entitlement to the fees Womply allegedly earned by creating and providing technology infrastructure for the federal Paycheck Protection Program ("PPP"). The Company denies allegations of any wrongdoing and intends to vigorously defend the case. On January 31, 2022, the Company filed a motion to dismiss all counts for failure to state a claim. At this time, the court has not issued a ruling.

Congress and the Department of Justice are investigating paycheck protection program lending, including the Company's subsidiary, Capital Plus Financial. The Company is cooperating in these investigations.

Item 6 Defaults upon senior securities.

None

Item 7 Other Information.

None

Item 8 Exhibits.

EXHIBIT A

Financial Statements for the Period Ending January 31, 2022

Condensed Consolidated Balance Sheets as of January 31, 2022, and October 31, 2021

Condensed Consolidated Statements of Operations for the fiscal quarter ended January 31, 2022, and January 31, 2021

Condensed Consolidated Statements of Cash Flows for the fiscal quarter ended January 31, 2022, and January 31, 2021

Notes to the Consolidated Financial Statements

CROSSROADS SYSTEMS, INC
CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET

	January 31 2022	October 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 157,176,270	$ 278,984,781
Restricted cash	64,890,773	310,026,085
Interest receivable	12,297,009	15,254,327
Current portion of mortgage notes receivable	1,820,192	1,727,844
Current portion of commercial/other notes receivable	8,332,679	7,880,071
Inventory	10,636,939	10,212,770
Prepaid expenses and other current assets	475,569	1,110,164
Total current assets	255,629,431	625,196,042
MORTGAGE NOTES RECEIVABLE, net of current maturities and allowance of $0	130,285,200	130,281,822
COMMERCIAL/OTHER NOTES RECEIVABLE, net of current maturities and allowance of $0	50,378,399	8,533,246
PAYMENT PROTECTION PROGRAM ("PPP") LOANS RECEIVABLE, net of discounts and allowance of $0	1,715,316,016	2,759,667,440
INVESTMENT IN SOLAR TAX CREDIT FUND (Equity Method)	9,380,944	9,380,944
GOODWILL	18,566,966	18,566,966
TOTAL ASSETS	$ 2,179,556,956	$3,551,626,460
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 298,652	$ 315,544
Accrued liabilities	227,741,696	269,448,624
Escrow liabilities	169,919	3,113,208
Income tax payable	39,718,363	28,725,428
Current portion of credit facilities	60,763,864	63,670,466
Current portion of other note payable	152,618	204,151
Current portion of acquisition notes payable	1,871,379	2,495,172
Total current liabilities	330,716,491	367,972,593
CREDIT FACILITIES, net of current maturities	39,411,042	36,451,501
OTHER NOTE PAYABLE, net of current maturities	941,903	940,083
ACQUISITION NOTES PAYABLE, net of current maturities	5,930,753	5,919,412
PPP LOAN PAYABLE	225,891	376,800
FEDERAL PPP LIQUIDITY FACILITY ("PPPLF")	1,754,169,806	3,132,566,332
DEFERRED TAX LIABILITY	-	184,113
OTHER LONG-TERM LIABILITIES	543,580	558,425
TOTAL LIABILITIES	2,131,939,466	3,544,969,259
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	4,076,797	3,889,086
Accumulated deficit	25,482,941	(15,289,637)
Crossroads Systems, Inc. stockholders' deficit	29,565,710	(11,394,579)
Non-controlling interests	18,051,780	18,051,780
TOTAL EQUITY	47,617,490	6,657,201
TOTAL LIABILITIES AND EQUITY	$ 2,179,556,956	$3,551,626,460

CROSSROADS SYSTEMS, INC
CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	For the Three Months Ended January 31, 2022	January 31, 2021
REVENUES		
Interest income	$ 8,329,731	$ 3,269,907
Property sales	4,552,100	3,999,060
Payroll Protection Program (PPP) administrative fees	50,109,886	-
Other revenue	104,348	50,491
Total revenues	63,096,065	7,319,458
COSTS AND EXPENSES		
Interest expense	3,388,489	1,402,949
Cost of properties sold	4,185,609	3,614,442
General and administrative	1,140,747	499,467
Paycheck Protection Program (PPP) processing fees	1,283,971	-
Salaries and wages	1,260,170	743,698
Management Bonus	0	-
Total costs and expenses	11,258,986	6,260,556
Income from operations	51,837,079	1,058,902
OTHER EXPENSES		
Interest expense	(96,884)	(137,771)
Other expenses	-	-
Total other expenses	(96,884)	(137,771)
Income before income tax provision	51,740,195	921,131
INCOME TAX PROVISION	(10,808,822)	(112,445)
NET INCOME	40,931,373	808,686
Less: net income attributable to non-controlling interests	(158,795)	(157,500)
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 40,772,578	$ 651,186
Earnings (loss) per share:		
Cash income attributable to common shareholders	51,581,400	763,631
Weighted average shaes outstanding	5,971,994	5,971,994
Cash income per share	$ 8.64	$ 0.13

CROSSROADS SYSTEMS, INC
CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	As of January 31, 2022	As of January 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 40,931,373	$ 808,687
Adjustments to reconcile net income to net cash		
used in operating activities:		
Loss on derivative related activity	-	(105,702)
Stock based compensation	187,711	-
Amortization of deferred financing fees	31,188	-
Provision for income taxes	10,808,822	112,445
Changes in operating assets and liabilities:		
Interest receivable	2,957,318	(89,782)
Notes receivable (Mortgage and commercial/other)	(42,393,487)	(786,596)
PPP loans receivable	1,044,351,424	-
Inventory	(424,169)	(647,439)
Prepaids and other assets	634,595	92,257
Accounts payable	(16,892)	157,144
Accrued liabilities	(30,728,838)	(25,046)
Escrow liabilities	(2,943,289)	(2,620,158)
Income tax payable	(10,992,935)	-
Net cash used in operating activities	1,012,402,821	(3,104,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Rise Line Business Credit, LLC, net of cash acquired	-	-
Cash paid for investment in solar tax credit fund (equity method)	-	
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity dividend distributions	(158,795)	(158,795)
Paycheck Protection Program loan	(150,909)	-
Borrowings on credit facilities (mortgage line)	-	1,983,572
Principal payments on credit facilities (mortgage line)	(374,234)	(50,931)
Borrowings on credit facilities (inventory line)	2,752,674	2,688,385
Principal payments on credit facilities (inventory line)	(2,325,501)	(3,529,555)
Principal payments on other notes payable	(49,713)	(46,676)
Principal payments on acquisition note payable	(643,640)	(615,287)
Sale of participations in mortgage notes and other receivables	-	(99,213)
Payments to the PPPLF	(1,378,396,526)	-
Net cash provided by financing activities	(1,379,346,644)	171,500
Net change in cash and cash equivalents and restricted cash	(366,943,823)	(2,932,689)
Cash and cash equivalents and restricted cash at beginning of period	589,010,866	5,131,110
Cash and cash equivalents and restricted cash at end of period	$ 222,067,043	$ 2,198,421
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 4,131,930	$ 1,796,383
Cash paid for income taxes	$ -	$ -

1. COMPANY PROFILE AND NATURE OF OPERATIONS

Crossroads Systems, Inc. (OTCQX: CRSS) ("CRSS" or "Parent") was an intellectual property licensing company headquartered in Austin, Texas. Founded in 1996 as a product solutions company, CRSS 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. In Texas, CPF acquires, renovates, and sells single family homes providing seller financing through notes receivable. During the fiscal year ended October 31, 2021, CPF participated in the second round of the Cares Act implementation of the PPP through the United States Department of the Treasury and Small Business Administration ("SBA").

CRSS entered into an advisory agreement with Enhanced Capital Group ("ECG") on September 14, 2021, an investment firm committed to socially responsible investment initiatives and impact manager of P10 Holdings, Inc ("P10"), a leading, specialized multi-asset class private markets solutions provider. The advisory agreement allows for the participation in loans infusing capital into emerging communities through small businesses and projects that spur job creation, promote environmental sustainability, support women, minority and veteran-owned businesses and stimulate underserved communities across the country.

2. BUSINESS COMBINATION

Crossroads acquired 100% of the equity interests in Rise Line Business Credit, LLC ("RLBC") on September 24, 2021 for cash consideration totaling $10,079,046, funded through cash on hand. RLBC is a nationwide asset-based lending firm that provides innovative working capital solutions. Through this transaction, Crossroads anticipates being able to provide better accessibility to banking for small businesses and assist in their transition into the conventional banking system where many are currently underserved. The acquisition was accounted for using the acquisition method of accounting where the results of operations for RLBC are included beginning September 24, 2021. The fair value of the net assets acquired in the acquisition equaled the purchase price so no goodwill was recorded and management identified no intangibles for recognition. Net assets acquired in the acquisition included approximately $2.2 million in cash, $283,000 in interest receivable and other current assets, $7.6 million of asset-based loans and $16,000 of current liabilities.

3. 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, 2021 through January 31, 2022.

Principals of Consolidation

The consolidated financial statements include the accounts of CRSS, CPF and RLBC. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 approximately $1.5 million in escrow accounts related primarily to CMS's mortgage servicing obligations, $62.9 million in funds due to the Federal Reserve to payoff PPP loans in transit.

Mortgage 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 until maturity as it has the ability to fund the notes receivable through borrowings from lenders that are secured by the notes receivable and properties. Mortgage notes receivable are stated at their unpaid principal balances less an allowance for loan losses. The average contractual interest rate per note was approximately 10.32% as of January 31, 2022. Interest income is recognized monthly per the terms of the respective loan agreements. Mortgage 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 mortgage notes receivable on an ongoing basis. The Company assesses the carrying value of its mortgage 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 January 31, 2022.

The Company may also receive escrow payments for property taxes and insurance included in its mortgage note receivable collections. The liabilities associated with these escrow collections totaled $169,919. as of January 31, 2022 and are included in escrow liabilities on the consolidated balance sheet.

Allowance for Loan Losses on Mortgage 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 in the application of various strategies to mitigate risks associated with the portfolio. The Company has determined that an allowance for probable and inherent loan losses was not required as of January 31, 2022.

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 $722,026 at January 31, 2022.

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 $339,315 as of January 31, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Commercial/Other Notes Receivable

From time to time, the Company will provide higher value financing for residential or commercial real estate. As of January 31, 2022, the Company had an outstanding balance of $1.3 million in such financing on residential property. The interest rate on the financing for the residential property is 9.99%. The residential property requires monthly principal and interest payments based on 30-year amortization schedule maturing in 2049.

In 2021, the Company entered into an advisory agreement with Enhanced Capital Group to purchase impact loans to infuse capital into emerging communities. The Company has purchased impact loans totaling $49.4 million as of January 31, 2022.

The Company acquired two asset-based loans in the RLBC acquisition which totaled $8 million as of January 31, 2022. The asset-based loans were recorded at their estimated fair values at acquisition which approximated their amortized cost basis which includes the origination amount of the loan adjusted for applicable accrued interest, net deferred fees, audit and legal costs and cash collections. One of the two asset-based loans, a revolving loan totaling $3.6 million, is in default. The Company is in negotiations to settle the loan and believes the estimated value of the secured collateral is sufficient to cover the loan's outstanding balance.

Due to their individually significant balances, the Company continually monitors commercial/other notes receivable for potential losses and the need for an allowance for loan losses. Notes are stated at amounts due from customers, net of allowance for loan losses. The Company determines the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance reserve composed of specific and general reserve amounts. As of January 31, 2022, all commercial/other notes receivable, except for the $3.6 million asset-based loan discussed above, 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 as of January 31, 2022.

Paycheck Protection Loans Receivable

The Company is actively participating in the second round of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") implementation of the PPP through the United States Department of the Treasury and SBA. PPP loans have the following characteristics: an interest rate of 1.0%; principal and interest payments are deferred for nine months from the date of disbursement; a five-year loan term to maturity for loans made on or after June 5, 2020 (loans made prior to June 5, 2020 have a two-year term, however borrowers and lenders may mutually agree to extend the maturity for such loans to five years); and they are unsecured and guaranteed by the SBA.

Interest is recognized as interest income in the consolidated statements of operations when earned and deemed collectible. PPP administrative fee revenue are deferred and recognized over the estimated life of the loans. PPP administrative fee revenue for all loans paid in full or forgiven are recognized as earned at the time paid in full. Management estimated life for all loans equal to or less than $150,000 to be 12-months while the administrative fees for all loans greater than $150,000 are amortized over their stated terms, an average of 60-months. As of January 31, 2022, approximately $20 million in PPP administrative fees were deferred.

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 aged significantly or incurring costs in excess of budgeted costs. The Company determined that no reserves or impairments of inventory were necessary as of January 31, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Method Investment

The Company accounts for its investment in a partnership that in turn makes equity investments in projects eligible to receive federal energy tax credits in order to promote climate change in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 321, *Investments – Equity Securities*. The Company's investment does not have a readily determinable fair value. Accordingly, the investment is measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company evaluates its investments in equity securities for impairment whenever events or circumstances indicate that there is a loss in value of the investment, which is other than temporary. In the event that the loss in value of an investment is other than temporary, the Company would record a charge to earnings to adjust the carrying value to fair value. For the quarter ended January 31, 2022, the Company invested approximately $9.4 million in the partnership to be re-invested in projects qualifying for tax credits that the Company expects will be utilizable beginning in fiscal year 2022. The Company determined no impairment to the investment value was necessary at January 31, 2022 based on expectations for future tax credits to be realized.

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 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 January 31, 2022.

Revenue Recognition

Interest income on mortgage notes receivable, commercial/other notes receivable and PPP loans 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, mortgage notes receivable, commercial/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 mortgage notes receivable and commercial/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 9. 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 $11,341 for the quarter ended January 31, 2022. Net deferred financing fees were $99,234 as of January 31, 2022.

3. 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 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.

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 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 January 31, 2022.

Tax credits from our equity method investments in partnerships investing in projects eligible to receive federal energy tax credits, when realized, are recognized as a reduction of tax liabilities under the flow-through method, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized. No tax credits were realized or recognized as of the quarter ended January 31, 2022.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are cash and cash equivalents and mortgage notes receivable. The mortgage notes receivable are secured either by the residential homes that were financed through the loan or by the borrower's assets. The Company maintains deposits with major financial institutions, which from time-to-time, may exceed the federally insured limits at each institution. The Company has experienced no losses related to its deposits and management believes any potential credit risk is minimal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 9 of these consolidated financial statements, the Company has approximately $60.7 million in current debt obligations maturing within one year prior.

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 adequacy of the allowance for loan losses.

Recent Accounting Pronouncements

During June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, the FASB also issued ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, ASU No. 2019-11 and ASU No. 2020-03. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 with early adoption permissible for the current period. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated results of operations, financial position and cash flows.

4. MORTGAGE NOTES RECEIVABLE

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

2022	$	1,820,192
2023		1,522,656
2024		2,732,084
2025		2,422,231
2026		2,651,012
Thereafter		120,957,217
	$	132,105,392

4. MORTGAGE NOTES RECEIVABLE (continued)

A detailed aging of mortgage notes receivable that are past due as of January 31, 2022 are as follows:

			%
Total notes receivable	$	132,105,392	100.0
Past due notes receivable:			
31-60 days past due	$	3,150,664	2.4
61-90 days past due		2,011,079	1.5
91-120 days past due		382,712	0.3
Greater than 120 days past due		339,215	0.3
Total past due notes receivable	$	5,883,670	4.5

5. COMMERCIAL/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 $543,580 loan participation, are as follows for the years ending October 31:

	Residential/ Commercial Loans	Asset-based Loans	Total
2022	$ 370,244	$ 7,962,435	$ 8,332,679
2023	8,249,208		8,249,208
2024	2,801,041		2,801,041
2025	21,384,872		21,384,872
2026	1,061,857		1,061,857
Thereafter	16,881,421		16,881,421
	$ 50,748,643	$ 7,962,435	$ 58,711,078

All other notes receivable were current and in good standing as of January 31, 2022 except for $3.6 million in asset-based loans previously discussed in Note 3.

6. PAYCHECK PROTECTION PROGRAM LOANS RECEIVABLE

On March 27, 2020, the U.S. Congress approved, and former President Trump signed into law, the CARES Act. The CARES Act provides approximately $2 trillion in financial assistance to individuals and businesses resulting from the outbreak of COVID-19. The CARES Act, among other things, provides certain measures to support individuals and businesses in maintaining solvency through monetary relief in the form of financing and loan forgiveness and/or forbearance. The primary catalyst of small business stimulus in the CARES Act is referred to as the PPP, an SBA loan that temporarily supports businesses in order to retain their workforce during the COVID-19 pandemic. Through the CARES Act, the initiative calls for select lenders to extend loans to small businesses to cover payroll, occupancy and operating expenses through the PPP. Furthermore, the PPP includes a 100% guarantee from the federal government for loans up to $10 million and principal forgiveness for borrowers if the funds are used primarily for retaining employees. The Company, as a CDFI, began participating as a lender for the second round of the PPP.

In the aggregate, the Company has facilitated the fundings of approximately $6.3 billion of loans through this program. The Company has elected fair value option for these loans that are held-for-investment.

6. PAYCHECK PROTECTION PROGRAM LOANS RECEIVABLE (continued)

The Company entered into a Lender Service Provider ("LSP") agreement with a third-party. Under this agreement, the Company paid a portion of the administration fees to the LSP for originating, underwriting, and processing PPP loans, processing forgiveness with the SBA, and servicing the outstanding portfolio of PPP loan receivable.

The Company also partnered with a handful of banks that referred loans to the Company. These loans were processed through a third-party platform. The Company paid an administration fee to the platform provider and the SBA authorized referral fees to the banks. In total, approximately 500 loans were processed on the third-party platform.

The Company purchased approximately $133 million of PPP loans receivable from a third-party bank at 98.5% of their unpaid principal balance at acquisition. The unearned discount as of January 31, 2022 was $887,174 with $397,241 of the original discount being amortized and recognized as a component of interest income on the consolidated statement of operations.

During the first quarter, the Company recognized approximately $50 million in net PPP income.

7. EQUITY METHOD INVESTMENT IN SOLAR TAX CREDIT FUND

The Company committed to invest $15 million into a fund investing in solar projects eligible to receive federal energy tax credits in order to promote climate change. The balance of the Company's investment in the fund as of January 31, 2022 was $9,380,944. No impairment or other activities affecting the cost of the investment balance were required for the quarter ended January 31, 2022.

8. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at January 31, 2022:

Accrued Liabilities		
Board Compensation	$	20,250
Professional Fees		34,600
Salaries & Wages		84,000
Interest Payable		180,414
Enhanced Capital Fees		247,478
Deferred Income - Impact Loans		922,238
Management Bonus		3,000,000
PPP Accruals		223,210,817
Other		41,900
Total Accruals	$	227,741,696

9. 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 January 31, 2022.

The Company had the following credit facilities as of January 31, 2022:

Lender	Interest Rate	Maturity Date	Balance
Prosperity USA (formerly Legacy Bank Texas)	3.34% (b)	5/11/2022 (a,c)	$ 24,857,019
Veritex Bank (fromerly Green Bank)	3.83% (b)	4/25/2022 (a,c)	18,360,912
First National Bank of Ballinger	4.25%	6/1/2022	9,496,989
Oakwood Bank	3.75%	1/16/2025	9,555,851
Oakwood Bank Accordian with Spirit Bank	3.75%	1/16/2025	9,644,791
Texas Citizens Bank 9950	4.75%	9/20/2035 (a)	3,184,137
Happy State Bank Term	5.50%	9/18/2041	1,979,616
Happy State Bank Term 4	3.75%	10/1/2043	15,631,358
Happy State Bank Interim 2	4.50% (b)	12/31/2021 (c)	5,333,730
Happy State Bank Interim Rental Line	5.00% (b)	7/28/2022	611,643
Happy State Bank Interim Rental Line 2	5.00%	5/11/2023	730,360
Happy State Bank Flood Line	4.50% (b)	7/28/2021 (c)	197,580
Texas Regional Bank Lot Line	4.50% (b)	12/5/2022	232,042
Texas Regional Bank	4.50% (b)	12/15/2022	299,788
Texas Regional Bank Master	4.50% (b)	12/2/2022	59,091
			100,174,906
Less current portion of credit facilities			(60,763,864)
Credit facilities, net of current maturities			$ 39,411,042

(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:

2022	$ 60,763,864
2023	2,243,010
2024	1,512,650
2025	17,641,188
2026	744,624
Thereafter	17,269,570
	$ 100,174,906

9. 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"). The CrossFirst Note was paid in full during the year ended October 31, 2021.

The Veritex Note bears interest at the annual LIBOR rate plus an applicable margin of 4.50%, which was 4.60% at January 31, 2022. The Veritex Note requires monthly principal payment of $207,931, plus interest, through maturity on December 18, 2024. 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 $99,234, was $7,901,366 at January 31, 2022.

The Company is required to comply with certain financial and non-financial covenants under the Veritex Note. The Company was in compliance with all covenants as of January 31, 2022.

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

2022	$	1,871,379
2023		2,495,172
2024		2,495,172
2025		1,039,643
	$	7,901,366

10. 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 $1,094,521 at January 31, 2022.

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

2022	$	152,618
2023		217,823
2024		232,411
2025		249,796
2026		241,873
	$	1,094,521

11. PAYMENT PROTECTION PROGRAM LIQUIDITY FACILITY

The Company was authorized to incur indebtedness from the U.S. Federal Reserve Bank under the PPPLF to facilitate PPP lending under round 2 of the CARES Act. Such borrowings are secured by pledges of loans to small businesses under the PPP loan program, whether originated or purchased by the Company. Interest will accrue at a rate of 0.35% of the outstanding balance. Repayments of principal and accrued interest are due in proportion to the amounts received, upon receipt of any PPP loan forgiveness payments received from the SBA, receipt of any proceeds from the sale of any loans to the SBA, or receipt of payment from the borrower. Borrowings under the PPPLF will mature with the maturity date of the associated PPP loans pledged as collateral, which are scheduled to mature on various dates between January 23, 2026 and July 29, 2026. The outstanding advances on the PPPLF at January 31, 2022 was $1,754,169,806.

12. 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. Both leases expire in December 2022.

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

2022	$	113,400
2023		25,200
	$	138,600

Rent expense associated with non-cancelable operating leases for the period ended January 31, 2022 was $42,900, and is included in general and administrative expenses in the consolidated statement of operations.

13. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 20, 2020, the Company qualified for and received a loan pursuant to the PPP, a program implemented by the 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 SBA.

Because the Company is involved with lending activities, the Company’s PPP Loan was not eligible for forgiveness. Monthly principal and interest payments of $75,549 commenced in December 2021 and 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 balance of the PPP Loan was $225,891 at January 31, 2022.

14. 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 January 31, 2022, 5,971,994 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

15. 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 January 31, 2022, unrecognized stock based compensation expense was $4,369,929 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 and January 2022 grant.

Award	Share Price	Volatility	Weighted Average Risk Free Interest Rate	Average Estimated Expected Term	Weighted Average Grant Date Fair Value
June 2020	$ 7.33	67.8%	0.71%	6.45	$ 4.51
January 2022	$ 13.75	207.4%	0.71%	6.50	$ 13.64

The Company estimated the expected term of the options using comparable market data since no historical data was available for stock option grants. Stock-based compensation expense recorded was $187,711 for the period ended January 31, 2022.

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.

16. NON-CONTROLLING INTERESTS – CPF PREFERRED EQUITY

CPF has 36 preferred units at $500,000 per unit outstanding as of January 31, 2022.

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 period ended January 31, 2022, CPF paid preferred dividends totaling $158,795 and had an accrued balance of $50,485 at January 31, 2022. Accrued dividends are included as a component of total ending equity for non-controlling interests at January 31, 2022.

17. RELATED PARTY ACTIVITIES

On September 14, 2021, the Company entered into an advisory agreement with Enhanced Capital Group ("ECG"), an investment firm committed to socially responsible investment initiatives and impact manager of P10, Inc., a leading, specialized multi-asset class private markets solutions provider. Mr. Alpert and Mr. Webb, who are members of the Company's board of directors, are Co-Chief Executive Officers and directors of P10, Inc. Mr. Alpert is chairman of the board of P10, Inc. ECG receives a 1.5% monthly management fee on performing loans and an incentive fee of 15% over a 7% hurdle rate. Processing fees accrued to ECG were $247,478 for the quarter ended January 31, 2022.

17. RELATED PARTY ACTIVITIES (continued)

Capital Plus Financial leases office space on a month-to-month basis from 210 Capital whose principals, Mr. Alpert and Mr. Webb, are members of the Company's board of directors. Monthly payments under the lease were $1,700 and total rental payments for the quarter ended January 31, 2022, were $5,100 with rent owed at January 31, 2022 totaled $10,200.

18. 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.

19. 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 period ended January 31, 2022:

Current	$	39,718,363
Deferred		-
	$	39,718,363

As of January 31, 2022, the Company did not have federal operating loss carry-forwards ("NOL's") or research and experimentation credits ("R&E Credits") available to reduce future taxable income as they were utilized in 2021.

20. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated all material events or transactions that occurred after January 31, 2022, the consolidated balance sheet date, and through March 15, 2022, the date the consolidated financial statements were available to be issued, noting the following events or transactions for disclosure as subsequent events.

As part of the Company's participation as a lender in the PPP, a total of 297,576 loans were forgiven and/or paid in full as of February 28, 2022 resulting in approximately $7.5 million of the deferred PPP fees being earned and recognized as income subsequent to the consolidated balance sheet date and through January 31, 2022.

SUPPLEMENTAL IFNROMATION

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET
JANUARY 31, 2022
UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Rise Line Business Credit, LLC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 52,199	$ 154,997,036	$ 2,127,035	$ -	$ 157,176,270
Restricted cash	-	64,890,773	-	-	64,890,773
Interest receivable	-	12,297,009	-	-	12,297,009
Current portion of mortgage notes receivable	-	1,820,192	-	-	1,820,192
Current portion of commercial/other notes receivable	-	370,244	7,962,435	-	8,332,679
Intercompany receivables	-	304,602,816	-	(304,602,816)	-
Inventory	-	10,636,939	-	-	10,636,939
Prepaid expenses and other current assets	193,677	273,084	8,808	-	475,569
Total current assets	245,876	549,888,093	10,098,278	(304,602,816)	255,629,431
MORTGAGE NOTES RECEIVABLE, net of current maturities and allowance of $0	-	130,285,200	-	-	130,285,200
COMMERCIAL/OTHER NOTES RECEIVABLE, net of current maturities and allowance of $0	-	50,378,399	-	-	50,378,399
PPP LOANS RECEIVABLE	-	1,715,316,016	-	-	1,715,316,016
INVESTMENT IN SOLAR TAX CREDIT FUND (Equity Method)	9,380,944	-	-	-	9,380,944
GOODWILL	18,566,966	-	-	-	18,566,966
DEFERRED TAX ASSET	-	-	-	-	-
INVESTMENT IN SUBSIDIARY	40,134,750	-	-	(40,134,750)	-
TOTAL ASSETS	$ 68,328,536	$ 2,445,867,708	$ 10,098,278	$ (344,737,566)	$ 2,179,556,956
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts payable	$ -	$ 296,121	$ 2,531	$ -	$ 298,652
Accrued liabilities	3,033,450	224,708,246	-	-	227,741,696
Escrow liabilities	-	169,919	-	-	169,919
Income taxes payable	39,718,363	-	-	-	39,718,363
Intercompany payables	304,602,816	-	-	(304,602,816)	-
Current portion of credit facilities	-	60,763,864	-	-	60,763,864
Current portion of other note payable	-	152,618	-	-	152,618
Current portion of acquisition notes payable	1,871,379	-	-	-	1,871,379
Total current liabilities	349,226,008	286,090,768	2,531	(304,602,816)	330,716,491
CREDIT FACILITIES, net of current maturities	-	39,411,042	-	-	39,411,042
OTHER NOTE PAYABLE, net of current maturities	-	941,903	-	-	941,903
ACQUISITION NOTES PAYABLE, net of current maturities	5,930,753	-	-	-	5,930,753
PPP LOAN PAYABLE	-	225,891	-	-	225,891
FEDERAL PPP LIQUIDITY FACILITY ("PPPLF")	-	1,754,169,806	-	-	1,754,169,806
DEFERRED TAX LIABILITY	-	-	-	-	-
OTHER LONG-TERM LIABILITIES	-	543,580	-	-	543,580
TOTAL LIABILITIES	355,156,761	2,081,382,990	2,531	(304,602,816)	2,131,939,466
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	4,076,797	-	10,091,008	(10,079,046)	4,088,759
Accumulated earnings (deficit)	(290,910,994)	346,434,233	4,739	(30,055,704)	25,472,274
Crossroads Systems, Inc. stockholders' equity/deficit	(286,828,225)	346,434,233	10,095,747	(40,134,750)	29,567,005
Non-controlling interests	-	18,050,485	-	-	18,050,485
TOTAL EQUITY	(286,828,225)	364,484,718	10,095,747	(40,134,750)	47,617,490
TOTAL LIABILITIES AND EQUITY	$ 68,328,536	$ 2,445,867,708	$ 10,098,278	$ (344,737,566)	$ 2,179,556,956

CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
JANUARY 31, 2022
UNAUDITED

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Rise Line Business Credit, LLC	Eliminations	Total
REVENUES					
Interest income	$ -	$ 8,128,059	$ 201,672	$ -	$ 8,329,731
Property sales	-	4,552,100	-	-	4,552,100
PPP administrative fees	-	50,109,886	-	-	50,109,886
Other revenue	-	96,594	7,754	-	104,348
Total revenues	-	62,886,639	209,426	-	63,096,065
COSTS AND EXPENSES					
Interest expense	-	3,388,489	-	-	3,388,489
Cost of properties sold	-	4,185,609	-	-	4,185,609
General and administrative	173,956	935,592	31,199	-	1,140,747
PPP processing fees	-	1,283,971	-	-	1,283,971
Salaries and wages	187,711	898,971	173,488	-	1,260,170
Management bonus	-	-	-	-	-
Total costs and expenses	361,667	10,692,632	204,687	-	11,258,986
Income (loss) from operations	(361,667)	52,194,007	4,739	-	51,837,079
OTHER INCOME (EXPENSES)					
Other Income	-	-	-	-	-
Interest expense	(96,884)	-	-	-	(96,884)
Total other income (expenses)	(96,884)	-	-	-	(96,884)
Income (loss) before income tax provision	(458,551)	52,194,007	4,739	-	51,740,195
INCOME TAX PROVISION	(10,808,822)	-	-	-	(10,808,822)
NET INCOME (LOSS)	(11,267,373)	52,194,007	4,739	-	40,931,373
Less: net income attributable to non-controlling interests	-	(158,795)	-	-	(158,795)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (11,267,373)	$ 52,035,212	$ 4,739	$ -	$ 40,772,578

Item 9 Certifications

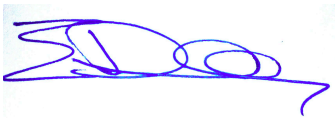
10) Issuer Certification

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: March 15, 2022

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: March 15, 2022

Farzana Giga
Chief Financial Officer