CROSSROADS SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

OCTOBER 31, 2018

MONTGOMERY COSCIA GREILICH LLP
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REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Crossroads Systems, Inc. (the "Company") as of October 31, 2018, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Montgomery Coscia Greilich LLP

MONTGOMERY COSCIA GREILICH LLP
We have served as the Company's auditor since 2018.
Plano, Texas
December 20, 2018

2500 Dallas Parkway, Suite 300
Plano, Texas 75093

300 Throckmorton Street, Suite 520
Fort Worth, Texas 76102

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CROSSROADS SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	2,323,614
Restricted cash		2,541,930
Interest receivable		731,507
Current portion of notes receivable		1,141,819
Inventory		7,488,271
Prepaid expenses and other current assets		336,069
Total current assets		14,563,210
NOTES RECEIVABLE, net of current maturities		107,880,693
GOODWILL		18,566,966
DEFERRED TAX ASSET		21,665,286
OTHER NON-CURRENT ASSETS		439,452
TOTAL ASSETS	$	163,115,607
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$	56,142
Accrued liabilities		912,899
Escrow liabilities		2,533,348
Current portion of credit facilities		55,937,606
Current portion of other note payable		168,071
Current portion of acquisition notes payable		2,843,046
Total current liabilities		62,451,112
CREDIT FACILITIES, net of current maturities		39,244,601
OTHER NOTE PAYABLE, net of current maturities		1,514,898
ACQUISITION NOTES PAYABLE, net of current maturities		16,663,640
OTHER LONG-TERM LIABILITIES		157,428
TOTAL LIABILITIES		120,031,679
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding		5,972
Additional paid in capital		242,358,843
Accumulated deficit		(214,826,962)
Crossroads Systems, Inc. stockholders' equity		27,537,853
Non-controlling interests		15,546,075
TOTAL EQUITY		43,083,928
TOTAL LIABILITIES AND EQUITY	$	163,115,607

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

CROSSROADS SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2018

REVENUES	
Interest income	$ 8,932,162
Property sales	19,299,984
Other revenue	210,115
Total revenues	28,442,261
COSTS AND EXPENSES	
Interest expense	3,807,447
Cost of properties sold	14,971,067
General and administrative	2,288,043
Salaries and wages	3,562,772
Total costs and expenses	24,629,329
Income from operations	3,812,932
OTHER EXPENSES	
Interest expense	(1,163,878)
Other expenses	(17,849)
Total other expenses	(1,181,727)
Income before income tax benefit	2,631,205
INCOME TAX BENEFIT	21,660,096
NET INCOME	24,291,301
Less: net income attributable to non-controlling interests	456,390
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 23,834,911

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

CROSSROADS SYSTEMS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2018

	Common Stock		Additional Paid-In	Accumulated	Non-Controlling	Total
	Shares	Amount	Capital	Deficit	Interests	Equity
BALANCE, OCTOBER 31, 2017	3,014,726	$ 3,015	$ 241,223,408	$ (238,661,873)	$ -	$ 2,564,550
Acquisition related activities (Note 2):						
Common stock to sellers	2,866,310	2,866	1,086,332	-	-	1,089,198
Rollover preferred equity at CPF	-	-	-	-	13,500,000	13,500,000
Common stock issued to key employees to settle liabilities	88,718	89	33,624	-	-	33,713
Preferred equity issuance	-	-	-	-	2,000,000	2,000,000
Stock-based compensation:						
Restricted stock awards	2,240	2	13,798	-	-	13,800
Stock options	-	-	1,681	-	-	1,681
Preferred dividend distributions	-	-	-	-	(410,315)	(410,315)
Net income	-	-	-	23,834,911	456,390	24,291,301
BALANCE, OCTOBER 31, 2018	5,971,994	$ 5,972	$ 242,358,843	$ (214,826,962)	$ 15,546,075	$ 43,083,928

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

CROSSROADS SYSTEMS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	24,291,301
Adjustments to reconcile net income to net cash used in operating activities:		
Stock compensation		15,481
Common stock issued to settle liabilities		33,713
Gain on derivative related activity		(196,480)
Amortization of deferred financing fees		38,167
Provision for income taxes		(21,660,096)
Changes in operating assets and liabilities:		
Interest receivable		(84,192)
Notes receivable		(17,067,456)
Inventories		(57,499)
Prepaids and other assets		1,805,407
Accounts payable		39,193
Accrued and other liabilities		(1,626,207)
Escrow liabilities		(295,045)
Net cash used in operating activities		(14,763,713)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Capital Plus Financial, LLC, net of cash acquired		(20,069,857)
Restricted cash		75,353
Net cash used in investing activities		(19,994,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred equity contributions		2,000,000
Preferred equity dividend distributions		(410,315)
Borrowings on credit facilities		26,259,076
Principal payments on credit facilities		(11,325,645)
Principal payments on other notes payable		(144,781)
Borrowings on acquisition note payable		23,938,284
Principal payments on acquisition note payable		(4,469,765)
Net cash provided by financing activities		35,846,854
Net change in cash and cash equivalents		1,088,637
Cash and cash equivalents at beginning of the year		1,234,977
Cash and cash equivalents at end of the year	$	2,323,614
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$	3,447,123
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Assumption of debt to acquire inventories	$	5,482,196
Value of common stock to sellers in the acquisition of Capital Plus Financial, LLC	$	1,089,198
Rollover preferred equity as part of the acquisition of Capital Plus Financial, LLC	$	13,500,000

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

1. COMPANY PROFILE AND NATURE OF OPERATIONS

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

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

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"), in a transaction accounted for under the purchase method of accounting (the "Acquisition"). See additional details about the Acquisition in Note 2.

CPF is a CDFI whose 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 maintains its corporate headquarters in Puerto Rico and has operations 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 "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. ACQUISITION

The December 18, 2017 acquisition of CPF was recorded by allocating the total purchase consideration to the estimated fair value of the net assets acquired as determined by the Company's management based on information available and current assumptions as to future operations. The final purchase price for the common equity of CPF was approximately $31.9 million and included cash consideration of approximately $30.8 million and 2,866,310 shares of the Parent's common stock valued at approximately $1.1 million on the date of the Acquisition. The Company charged $561,068 in acquisition costs to operations during the year ended October 31, 2018. CPF had preferred equity of $13.5 million that was rolled over in the transaction and is classified as a non-controlling interest of the Company.

2. ACQUISITION, CONTINUED

The cash consideration for the Acquisition was funded through $24.4 million in debt and cash acquired in the Acquisition of approximately $6.6 million.

Details of the net assets acquired in the acquisition of CPF on December 18, 2017 were as follows:

Cash	$	10,759,836
Restricted cash		2,617,283
Interest receivable		647,315
Inventory		552,252
Prepaid expenses and other assets		1,678,835
Notes receivable		91,955,056
Accounts payable and accrued liabiities		(2,208,281)
Escrow liabilities		(2,828,393)
Credit facilities		(74,766,580)
Other note payable		(1,827,750)
Net assets acquired	$	26,579,573

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Company are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The operations from CPF are for the period from the Acquisition on December 18, 2017 through October 31, 2018.

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

Notes receivable are secured by an assignment of a deed of trust. The Company intends to hold the notes for the long-term as it has the ability to fund the notes receivable through borrowings from lenders that are secured by the notes receivable and properties. Notes receivable are stated at their unpaid principal balances. Interest on notes receivable is credited to income as earned.

The Company records gains and losses on dispositions of notes receivable to operations. No gains or losses were recognized on dispositions of notes receivable for the year ended October 31, 2018.

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 $552,034 as of October 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Allowance for Loan Losses

The Company has established a policy for assessing potential allowances for loan losses on notes receivable. An allowance for loan losses is available to absorb potential losses on notes receivable and would include provisions for loan losses to be charged to operations. The balance for the allowance for loan losses reflects an amount which, in management's judgement, would be adequate to provide for potential loan losses based on its evaluation of the portfolio and prior loss experience.

The evaluation considers such factors as changes in the nature and volume of the portfolio, overall portfolio quality, and current and anticipated economic conditions. The Company applies multiple strategies to mitigate the risks associated with delinquent loans. The Company determined no allowance for loan losses was required as of October 31, 2018.

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. Payments received on a nonaccrual note receivable are accounted for on a cash basis, first to interest and then to principal. The unpaid principal balance of notes receivable on nonaccrual status was $1,213,199 at October 31, 2018.

Inventory

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

The Company regularly evaluates inventories that are slow-moving or incurring costs in excess of budgeted costs. The Company determined a reserve for slow-moving inventory was not necessary as of October 31, 2018.

Goodwill

Goodwill is the result of the Acquisition of CPF on December 18, 2017. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill is accounted for in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill*. Management evaluates goodwill for impairment annually or when circumstances indicate the estimated fair value exceeds the reporting units carrying value indicating potential impairment of goodwill. The Company determined that goodwill was not impaired at October 31, 2018.

Revenue Recognition

Interest income on 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 are cash and cash equivalents, notes receivable and long-term debts. The carrying amount of cash and cash equivalents approximates it's fair value because it is short-term in nature. The recorded values of notes receivable and long-term debts approximate their fair values because they generally have short-term maturity dates or variable interest rates that reflect market rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurement

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses derivatives to manage risks related to changing interest rates. The Company does not enter into derivative contracts for speculative purposes. Interest rate swap contracts are recognized as assets or liabilities on the consolidated balance sheet and are measured at fair value. The interest rate swap agreement is considered a Level II investment.

Deferred Financing Fees

The Company incurred costs for deferred financing fees when obtaining the acquisition note payable detailed in Note 6. The Company has adopted ASU 2015-03, an amendment to ASC 835, which simplifies the presentation of debt issuance costs by requiring them to be presented as a deduction against the corresponding debt liability as opposed to a capitalized asset 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 $38,167 for the year ended October 31, 2018. Net deferred financing fees were $223,549 as of October 31, 2018.

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. Significant inputs and assumptions into this model include the Company's common stock price on the date the stock option is granted, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 includes the deferred tax assets and allowance for loan losses.

Income Taxes

We account 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.

We recognize the financial statement benefit of a tax position that does not meet the more-likely-than-not threshold only after expiration of the statute of limitations of the relevant tax authority sustains our position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. We recognize interest and penalties related to uncertain tax positions in income tax expense. There were no identified tax benefits or liabilities that were considered uncertain positions at October 31, 2018.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, cash equivalents, and notes receivable. The notes receivable are secured by the residential homes that were financed through the loan. The Company maintains deposits with major financial institutions, which from time-to-time, may exceed the federally insured limits at each institution. The Company had cash and restricted cash in financial institutions that exceeded federally insured limits of approximately $3.9 million. Management believes any potential credit risk is minimal.

Risks and Uncertainties

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

4. 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:

2019	$ 1,141,819
2020	1,431,263
2021	1,377,772
2022	1,505,579
2023	1,675,197
Thereafter	101,890,882
	$ 109,022,512

A detailed aging of notes receivable that are past due as of October 31, 2018 are as follows:

		%
Total notes receivable	$ 109,022,512	100.0
Past due notes receivable:		
31-60 days past due	$ 2,663,559	2.4
61-90 days past due	615,137	0.6
91-120 days past due	281,252	0.3
Greater than 120 days past due	931,947	0.8
Total past due notes receivable	$ 4,491,895	4.1

5. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at October 31, 2018:

Salaries and wages	$ 353,432
Interest payable	334,817
Professional fees	205,000
Board compensation	19,650
	$ 912,899

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 and in some cases are guaranteed by certain owners of the Company.

In connection with the credit facilities, the Company has agreed to comply with certain financial and non-financial covenants provided for in the agreements. Management was not aware of any covenant violations for the year ended October 31, 2018.

6. DEBT, CONTINUED

Credit Facilities, Continued

The Company had the following credit facilities as of October 31, 2018:

Lender	Interest Rate	Maturity Date	Balance
Texas Citizens Bank 9950	5.00%	9/20/2035 (a)	$ 3,756,476
First National Bank of Ballinger	4.25%	4/1/2019	10,292,696
Bank SNB Term	4.07%	9/30/2020	17,299,275
Happy State Bank Interim 2	5.75% (b)	5/17/2019	7,429,923
Happy State Bank Term	5.50%	9/18/2041	17,141,287
Happy State Bank Term 4	5.50%	10/1/2043	2,200,414
Oakwood Bank	5.75%	10/6/2019	5,334,634
Green Bank	6.02% (b)	1/25/2019 (a)	22,703,173
Legacy Bank Texas	6.26% (b)	4/11/2019	9,024,329
			95,182,207
Less current portion of credit facilities			(55,937,606)
Credit facilities, net of current maturities			$ 39,244,601

(a) These facilities are due on demand and presented as current.
(b) These facilities require only monthly interest payments through maturity.

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

2019	$ 55,937,606
2020	1,187,622
2021	1,232,764
2022	1,280,134
2023	1,329,845
Thereafter	34,214,236
	$ 95,182,207

Acquisition Notes Payable

To fund consideration in the December 18, 2017 Acquisition, 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 6.78% at October 31, 2018. The Veritex Note requires monthly principal payment of $261,905, plus interest, through maturity on December 18, 2024, the date at which all unpaid principal and interest is due. The Veritex Note is collateralized by certain operating assets of the Company not already collateralized by the credit facilities. The balance on the Veritex Note, net of amortizing deferred financing fees of $223,549, was $17,307,309 at October 31, 2018.

The Veritex Note is subject to certain mandatory prepayments beginning May 1, 2019 equal to 30.00% of adjusted free cash flows until the ratio of debt service to adjusted free cash flows for the Veritex Note is less than 1.0 to 1.0 on a rolling four quarter basis for not less than two consecutive quarters. Due to the variability of the calculation for mandatory prepayments based on timing of future events, no mandatory prepayments were estimated as of October 31, 2018.

6. DEBT, CONTINUED

Acquisition Notes Payable, Continued

CrossFirst Note

The CrossFirst Note was created to fund $2,200,000 of the Acquisition purchase price which was funded to money market accounts in the seller's names at CrossFirst Bank to serve as collateral over the duration of the note. The CrossFirst Note requires monthly interest payment at the CrossFirst Bank money market account rate plus an applicable margin of 1.00%, which was 2.59% at October 31, 2018. The CrossFirst Note matures on December 14, 2019, when all unpaid principal and interest is due. The balance on the CrossFirst Note was $2,199,377 at October 31, 2018.

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

2019	$	2,843,046
2020		5,042,422
2021		2,843,046
2022		2,843,046
2023		2,843,046
Thereafter		3,315,629
	$	19,730,235

Other Note Payable

The Company assumed a note payable in the Acquisition 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 $1,682,969 at October 31, 2018.

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

2019	$	168,071
2020		179,327
2021		191,337
2022		204,151
2023		217,823
Thereafter		722,260
	$	1,682,969

7. DERIVATIVES

As part of the Acquisition, the Company acquired a master interest rate swap agreement with Bank SNB to fix the variable interest rate portion of the Bank SNB term note, which is based on the daily prime rate, to a fixed rate of 4.07%. The maturity date of this agreement is September 30, 2020. The swap agreement was not designated as a cash flow hedge and therefore, gains or losses on the swap agreement, as well as the other offsetting gains or losses on the hedged items attributable to the hedged risk, are recognized in current operations. ASC 815-10, *Derivatives and Hedging,* requires derivative instruments to be measured at fair value and recorded in the consolidated balance sheet as either assets or liabilities. The Company recognized a gain of $196,480 for the year ended October 31, 2018 which was netted against interest expense in costs and expenses in the consolidated statement of operations. The fair value of the derivative instrument is included in other non-current assets and was $414,912 at October 31, 2018.

8. OPERATING LEASES

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

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

2019	$	151,200
2020		151,200
2021		151,200
2022		151,200
2023		25,200
	$	630,000

Rent expense for the year ended October 31, 2018 was $188,843.

9. STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 75 million shares of $0.001 par value common stock and 25 million shares of $0.001 par value preferred stock. As of October 31, 2018, 5,971,994 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

10. STOCK BASED COMPENSATION

The Company has granted incentive stock options ("ISOs") and restricted stock under a stock-based compensation plan established in the 2018 Stock Incentive Plan ("Stock Plan"). As of October 31, 2018, there were 792,760 shares authorized for issuance under the Stock Plan.

Stock Option Awards

Stock option awards granted under the Stock Plan generally vest 100% three years from the grant date. Vested options do not expire while the recipient is an employee of the Company but are forfeited upon resignation or termination. Outstanding options were granted at an exercise price equal to the average of the Company's stock price over the 30 day period prior to the grant date. The exercise of stock options are fulfilled through the issuance of previously authorized but unissued common stock shares. During the year ended October 31, 2018, the Company issued 5,000 stock options to an employee at an exercise price of $7.47. The issued stock options are still outstanding and unvested as of October 31, 2018. Stock based compensation expense for the 5,000 stock options issued during the year ended October 31, 2018 was $1,681 and is included within our net income on the consolidated statement of operations. Total unrecognized compensation expense related to stock options was $30,243 at October 31. 2018.

Restricted Stock Awards

The Company issued restricted stock under the Stock Plan for services rendered to the Company that vest over a one year period. The Company valued restricted stock based on the Company's stock price when granted and recognized the compensation expense over the service period. Compensation expense for the 2,240 shares of restricted stock issued during the year ended October 31, 2018 was $13,800 and is included within our net income on the consolidated statement of operations. All compensation expense related to restricted stock awards was recognized as of October 31, 2018.

11. NON-CONTROLLING INTEREST – CPF PREFERRED EQUITY

CPF has 31 preferred units at $500,000 per unit outstanding as of October 31, 2018.

The rights and privileges of preferred units are as follows:

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

During the year ended October 31, 2018, CPF paid preferred dividends totaling $410,315 and had an accrued balance of $46,075 at October 31, 2018.

12. RELATED PARTY ACTIVITIES

On December 19, 2017, the Company acquired $6,983,250 of inventory from CP Originations, Ltd ("CPO"), a related party through common ownership. The inventory was acquired at CPOs historical cost in the inventory and was funded through the assumption of $5,482,196 in debt, forgiveness of $1,396,324 in related party receivables, and $105,000 in cash.

The Company leases office space in Dallas, Texas on a month to month basis from Southwest Federated, Inc., a related party through common ownership. Monthly payments under the lease were $4,500 and total rental payments for the year ended October 31, 2018 were $45,000.

13. CONTINGENCIES

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

14. INCOME TAXES

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The Company's ending net deferred tax asset includes the revaluation due to the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Cuts and Jobs Act.

A reconciliation of the provision (benefit) for income taxes is as follows for the year ended October 31, 2018:

Current- state	$ 5,190
Deferred - federal	(21,665,286)
	$ (21,660,096)

14. INCOME TAXES, CONTINUED

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of our deferred taxes as of October 31, 2018 are as follows:

Deferred tax assets:		
Net operating loss carryforward	$	28,457,621
Research & experimentation credits		5,078,587
Goodwill		618,639
Other		95,795
Valuation allowance		(12,585,356)
Net deferred tax assets	$	21,665,286

As of October 31, 2018, the Company had federal net operating loss carry-forwards ("NOL's") and research and experimentation credits ("R&E Credits") available to reduce future taxable income of approximately $135.5 million and $5.1 million, respectively. Up until December 2017, prior to the Acquisition of CPF, the Company had a full valuation allowance against the NOLs and R&E Credits. The Acquisition of CPF was accretive to the business and the long-standing operations and earnings allowed for the Company to recognize the NOL's. A portion of the NOLs and R&E Credits will expire beginning in 2019, if not utilized. Due to the uncertainties regarding future realization of the deferred tax assets, the Company recognized a $12.6 million valuation allowance as of October 31, 2018.

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of October 31, 2018, we had no accrued interest or penalties related to uncertain tax positions.

Tax years 2013 through 2017 remain open to examination by the major taxing jurisdictions to which we are subject.

15. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Company evaluated all material events or transactions that occurred after October 31, 2018, the consolidated balance sheet date, and through December 20, 2018, the date the consolidated financial statements were issued, noting the following transaction for disclosure as a subsequent event. On December 18, 2018, the Company entered into a subscription agreement with TBK Bank, SSB for 4 preferred equity units in CPF for a total contribution of $2.0 million.

SUPPLEMENTAL INFORMATION

CROSSROADS SYSTEMS, INC.

SUPPLEMENTAL SCHEDULE I: CONSOLIDATED BALANCE SHEET

OCTOBER 31, 2018

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 85,353	$ 2,238,261	$ -	$ 2,323,614
Restricted cash	-	2,541,930	-	2,541,930
Interest receivable	-	731,507	-	731,507
Current portion of notes receivable	-	1,141,819	-	1,141,819
Intercompany receivables	-	12,169,943	(12,169,943)	-
Inventory	-	7,488,271	-	7,488,271
Prepaid expenses and other current assets	239,046	97,023	-	336,069
Total current assets	324,399	26,408,754	(12,169,943)	14,563,210
NOTES RECEIVABLE, net of current maturities	-	107,880,693	-	107,880,693
GOODWILL	18,566,966	-	-	18,566,966
DEFERRED TAX ASSET	21,665,286	-	-	21,665,286
INVESTMENT IN SUBSIDIARY	13,351,925	-	(13,351,925)	-
OTHER NON-CURRENT ASSETS	-	439,452	-	439,452
TOTAL ASSETS	$ 53,908,576	$ 134,728,899	$ (25,521,868)	$ 163,115,607
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 204	$ 55,938	$ -	$ 56,142
Accrued liabilities	540,294	372,605	-	912,899
Escrow liabilities	-	2,533,348	-	2,533,348
Intercompany payables	12,169,943	-	(12,169,943)	-
Current portion of credit facilities	-	55,937,606	-	55,937,606
Current portion of other note payable	-	168,071	-	168,071
Current portion of acquisition notes payable	2,843,046	-	-	2,843,046
Total current liabilities	15,553,487	59,067,568	(12,169,943)	62,451,112
CREDIT FACILITIES, net of current maturities	-	39,244,601	-	39,244,601
OTHER NOTE PAYABLE, net of current maturities	-	1,514,898	-	1,514,898
ACQUISITION NOTES PAYABLE, net of current maturities	16,663,640	-	-	16,663,640
OTHER LONG-TERM LIABILITIES	-	157,428	-	157,428
TOTAL LIABILITIES	32,217,127	99,984,495	(12,169,943)	120,031,679
STOCKHOLDERS' EQUITY				
Common stock, $0.001 par value: 75,000,000 shares authorized, 5,971,994 shares issued and outstanding	5,972	-	-	5,972
Additional paid in capital	242,358,843	13,351,925	(13,351,925)	242,358,843
Accumulated deficit	(220,673,366)	5,846,404	-	(214,826,962)
Crossroads Systems, Inc. stockholders' equity	21,691,449	19,198,329	(13,351,925)	27,537,853
Non-controlling interests	-	15,546,075	-	15,546,075
TOTAL EQUITY	21,691,449	34,744,404	(13,351,925)	43,083,928
TOTAL LIABILITIES AND EQUITY	$ 53,908,576	$ 134,728,899	$ (25,521,868)	$ 163,115,607

See report of independent public accounting firm regarding supplemental information.

CROSSROADS SYSTEMS, INC.
SUPPLEMENTAL SCHEDULE II: CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2018

	Crossroads Systems, Inc.	Capital Plus Financial, LLC	Eliminations	Total
REVENUES				
Interest income	$ -	$ 8,932,162	$ -	$ 8,932,162
Property sales	-	19,299,984	-	19,299,984
Other revenue	1,062	209,053	-	210,115
Total revenues	1,062	28,441,199	-	28,442,261
COSTS AND EXPENSES				
Interest expense	-	3,807,447	-	3,807,447
Cost of properties sold	-	14,971,067	-	14,971,067
General and administrative	1,284,537	1,003,506	-	2,288,043
Salaries and wages	1,229,468	2,333,304	-	3,562,772
Total costs and expenses	2,514,005	22,115,324	-	24,629,329
Income (loss) from operations	(2,512,943)	6,325,875	-	3,812,932
OTHER INCOME (EXPENSE)				
Interest expense	(1,163,878)	-	-	(1,163,878)
Other income (expense)	44	(17,893)	-	(17,849)
Total other income (expense)	(1,163,834)	(17,893)	-	(1,181,727)
Income (loss) before income tax provision (benefit)	(3,676,777)	6,307,982	-	2,631,205
INCOME TAX PROVISION (BENEFIT)	21,665,286	(5,190)	-	21,660,096
NET INCOME	17,988,509	6,302,792	-	24,291,301
Net income attributable to non-controlling interests	-	456,390	-	456,390
NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 17,988,509	$ 5,846,402	$ -	$ 23,834,911

See report of independent public accounting firm regarding supplemental information.