



# Press Release

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**FOR IMMEDIATE RELEASE**

## Crossroads Systems Reports Fiscal First Quarter Financial Results

**Austin, Texas – February 24, 2010** – Crossroads Systems, Inc. (symbol: CRDS), a global leading provider of solutions to connect, protect, secure and restore data, today announced results for its fiscal first quarter ended January 31, 2010 (Q1'10).

Revenue totaled \$2.7 million for Q1'10 compared to \$6.0 million in the fiscal fourth quarter ended October 31, 2009 (Q4'09). Product revenue totaled \$1.1 million for Q1'10 compared to \$1.9 million for Q4'09. In addition, revenue from IP license, royalty and other totaled \$1.6 million for Q1'10 compared to \$4.1 million for Q4'09. Gross profit was \$2.5 million, or 91 percent for Q1'10, compared to \$5.2 million, or 86 percent for Q4'09. Net loss for Q1'10 was \$2.1 million, or \$0.07 cents loss per share, compared to net income of \$775 thousand, or \$0.03 cents gain per share in Q4'09.

"Revenue fluctuation from Q4 2009 to Q1 2010 was as expected due to our OEM business cycles and economic impact," said Rob Sims, President and CEO. "Our cash balance also grew as expected due to the collection of cash from intellectual property licensing as well as the continued focus on managing our business going forward."

For additional financial information, visit [www.crossroads.com/InvestorRelations/](http://www.crossroads.com/InvestorRelations/).

**About Crossroads Systems, Inc.**

Headquartered in Austin, Texas, Crossroads Systems is a global leading provider of solutions to connect, protect, secure and restore data. Crossroads (symbol: CRDS) trades over-the-counter on Pink Sheets and posts its financial disclosure reports, press releases and other related documentation on the OTCIQ Web service of the Pink Sheets Web site. Visit [www.crossroads.com](http://www.crossroads.com).

**Forward-Looking Statements**

*This release may include forward-looking statements. The words "believe," "expect," "intend," "plan," "project," "will" and similar phrases as they relate to Crossroads are intended to identify such forward-looking statements. These statements reflect the current views and assumptions of Crossroads and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations.*

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\*See Tables Attached\*

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In Thousands)

	<b>October 31,</b>	<b>January 31,</b>
	<b>2009</b>	<b>2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 5,297	\$ 5,851
Accounts receivable, net .....	5,124	2,124
Inventories, net .....	111	91
Prepays and other current assets .....	423	424
Total current assets .....	10,955	8,490
Property and equipment, net .....	830	723
Intangible, net.....	1,502	1,237
Investment in Subsidiaries.....	940	940
Other assets .....	69	57
Total assets .....	\$ 14,296	\$ 11,447
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,036	\$ 550
Accrued expenses .....	1,877	1,209
Accrued warranty costs .....	18	16
Deferred revenue .....	199	185
Line of Credit .....	1,973	1,973
Total current liabilities .....	5,103	3,933
Long-term liabilities.....	59	110
Stockholders' equity .....	9,134	7,404
Total liabilities and stockholders' equity .....	\$ 14,296	\$ 11,447

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In Thousands, Except Share and Per Share Data)

	Three Months Ended January 31,	
	2009	2010
Revenue:		
Product.....	\$ 1,562	\$ 1,093
IP License, royalty and other .....	1,684	1,629
Total revenue .....	3,246	2,722
Cost of revenue:		
Product.....	284	83
IP License, royalty and other .....	369	172
Total cost of revenue .....	653	255
Gross profit .....	2,593	2,467
Operating expenses:		
Sales and marketing .....	1,564	1,257
Research and development .....	2,487	2,169
General and administrative .....	233	457
FAS 123R and stock based compensation.....	283	392
Business restructuring expense.....	217	-
Amortization of intangibles.....	284	265
Total operating expenses .....	5,068	4,540
Income (Loss) from operations .....	(2,475)	(2,073)
Interest (expense) income.....	(22)	(24)
Net Income (Loss).....	\$ (2,497)	\$ (2,097)
Basic net gain (loss) per share.....	(0.09)	(0.07)
Shares used in computing:		
Basic net gain (loss) per share .....	28,791,047	29,199,586

**CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	Three Months Ended January 31,	
	2009	2010
Cash flows from operating activities:		
Net loss.....	\$ (2,497)	\$ (2,097)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	232	163
Business restructuring expenses.....	217	-
Amortization of intangibles.....	284	265
Stock-based compensation and FAS 123R.....	283	392
Provision for doubtful accounts receivable.....	1	(12)
Provision for excess and obsolete inventory.....	24	(2)
Changes in assets and liabilities:		
Accounts receivable.....	1,358	3,007
Inventories.....	53	22
Prepays and other current assets.....	86	(3)
Accounts payable.....	(382)	(241)
Accrued expenses and other.....	(735)	(608)
Deferred revenue and other.....	-	(3)
Net cash provided by (used in) operating activities.....	<u>(1,076)</u>	<u>883</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	<u>(71)</u>	<u>(85)</u>
Net cash used in investing activities.....	<u>(71)</u>	<u>(85)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	<u>1</u>	<u>-</u>
Net cash provided by financing activities.....	<u>1</u>	<u>-</u>
Effect of Exchange Rate on Cash.....	(52)	(244)
Net increase (decrease) in cash and cash equivalents.....	(1,198)	554
Cash and cash equivalents, beginning of period.....	7,086	5,297
Cash and cash equivalents, end of period.....	<u>\$ 5,888</u>	<u>\$ 5,851</u>