



Press Release

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FOR IMMEDIATE RELEASE

Crossroads Systems Reports Fiscal Second Quarter Financial Results

Austin, Texas – May 27, 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 second quarter ended April 30, 2010 (Q2'10).

Revenue totaled \$5.0 million for Q2'10 compared to \$2.7 million in the fiscal first quarter ended January 31, 2010 (Q1'10). Product revenue totaled \$941,000 for Q2'10 compared to \$1.1 million for Q1'10. Revenue from IP license, royalty and other totaled \$4.1 million for Q2'10 compared to \$1.6 million for Q1'10. Gross profit was \$4.0 million, or 79 percent for Q2'10, compared to \$2.5 million, or 91 percent for Q1'10. Net loss for Q2'10 was \$393,000, or \$0.01 cent loss per share, compared to a net loss of \$2.1 million, or \$0.07 cents loss per share in Q1'10.

For additional financial information, visit 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-at-rest. 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.

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)

	October 31, 2009	April 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 5,297	\$ 6,568
Accounts receivable, net	5,124	2,452
Inventories, net	111	106
Prepays and other current assets	423	299
Total current assets	10,955	9,425
Property and equipment, net	830	653
Intangible, net.....	1,502	972
Investment in Subsidiaries.....	940	940
Other assets	69	56
Total assets	\$ 14,296	\$ 12,046
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,036	\$ 1,073
Accrued expenses	1,877	1,436
Accrued warranty costs	18	19
Deferred revenue	199	307
Line of Credit	1,973	1,973
Total current liabilities	5,103	4,808
Long-term liabilities.....	59	105
Stockholders' equity	9,134	7,133
Total liabilities and stockholders' equity	\$ 14,296	\$ 12,046

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2009	2010	2009	2010
Revenue:				
Product.....	\$ 1,159	\$ 941	\$ 2,721	\$ 2,034
IP License, royalty and other	2,578	4,102	4,262	5,731
Total revenue	3,737	5,043	6,983	7,765
Cost of revenue:				
Product.....	124	138	408	221
IP License, royalty and other	448	930	817	1,102
Total cost of revenue	572	1,068	1,225	1,323
Gross profit	3,165	3,975	5,758	6,442
Operating expenses:				
Sales and marketing	1,453	1,301	3,017	2,558
Research and development	2,267	2,150	4,754	4,319
General and administrative	559	505	792	962
FAS 123R and stock based compensation.....	118	124	401	516
Business restructuring expense.....	-	-	217	-
Amortization of intangibles.....	265	265	549	530
Total operating expenses	4,662	4,345	9,730	8,885
Income (Loss) from operations	(1,497)	(370)	(3,972)	(2,443)
Interest (expense) income.....	(48)	(23)	(70)	(47)
Net Income (Loss).....	<u>\$ (1,545)</u>	<u>\$ (393)</u>	<u>\$ (4,042)</u>	<u>\$ (2,490)</u>
Basic net gain (loss) per share.....	(0.05)	(0.01)	(0.14)	(0.08)
Shares used in computing:				
Basic net gain (loss) per share	28,966,434	30,113,166	28,877,287	29,697,117

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

	Six Months Ended April 30,	
	2009	2010
Cash flows from operating activities:		
Net loss.....	\$ (4,042)	\$ (2,490)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	456	311
Business restructuring expenses.....	217	-
Amortization of intangibles.....	549	530
Loss on disposal of fixed assets	-	-
Stock-based compensation and FAS 123R.....	402	516
Provision for doubtful accounts receivable.....	2	(14)
Provision for excess and obsolete inventory.....	56	(6)
Changes in assets and liabilities:		
Accounts receivable.....	1,776	2,679
Inventories.....	117	11
Prepays and other current assets.....	(7)	122
Accounts payable.....	(499)	374
Accrued expenses and other.....	(768)	(383)
Deferred revenue and other.....	11	119
Net cash provided by (used in) operating activities.....	<u>(1,730)</u>	<u>1,769</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(124)	(163)
Net cash used in investing activities.....	<u>(124)</u>	<u>(163)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	1	-
Net cash provided by financing activities.....	<u>1</u>	<u>-</u>
Effect of Exchange Rate on Cash.....	52	(335)
Net increase (decrease) in cash and cash equivalents.....	(1,801)	1,271
Cash and cash equivalents, beginning of period.....	7,086	5,297
Cash and cash equivalents, end of period.....	<u>\$ 5,285</u>	<u>\$ 6,568</u>