



# Press Release

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**FOR IMMEDIATE RELEASE**

## Crossroads Systems Reports Fiscal Second Quarter Financial Results

**Austin, Texas – May 28, 2009** – 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, 2009 (Q2'09).

Revenue totaled \$3.7 million for Q2'09 compared to \$3.2 million in the fiscal first quarter ended January 31, 2009 (Q1'09). Product revenue totaled \$1.2 million for Q2'09 compared to \$1.6 million for Q1'09. Product revenue remained low due to our largest OEM transitioning their manufacturing overseas as well as continued softness in the economy. In addition, revenue from IP license, royalty and other totaled \$2.5 million for Q2'09 compared to \$1.7 million for Q1'09. Gross profit was \$3.2 million, or 85 percent for Q2'09, compared to \$2.6 million, or 80 percent for Q1'09. Net loss for Q2'09 was \$1.5 million, or \$0.05 cents loss per share, compared to a net loss of \$2.5 million, or \$0.09 cents loss per share in Q1'09.

Crossroads also announced today that David Riegel, Chairman of the Board of Directors, and board member Richard Eyestone resigned effective today. Don Pearce, a member of the Crossroads Advisory Board, has joined the Board of Directors effective immediately.

"On behalf of the entire Crossroads team, I wish to thank both David Riegel and Richard Eyestone for their immense contribution to Crossroads' ongoing growth and enhanced industry position," said Rob Sims, President and CEO of Crossroads Systems.

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-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](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>April 30,</b>
	<b>2008</b>	<b>2009</b>
<b>ASSETS</b>	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents.....	\$ 7,086	\$ 5,285
Accounts receivable, net .....	5,535	3,758
Inventories, net .....	329	155
Prepays and other current assets .....	343	350
Total current assets .....	<hr/> 13,293	<hr/> 9,548
Property and equipment, net .....	1,444	1,107
Intangible, net.....	2,791	2,032
Investment in Subsidiaries.....	968	968
Goodwill.....	324	-
Other assets .....	17	69
Total assets .....	<hr/> <hr/> <b>\$ 18,837</b>	<hr/> <hr/> <b>\$ 13,724</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,321	\$ 864
Accrued expenses .....	2,333	1,264
Accrued warranty costs .....	33	28
Deferred revenue .....	298	362
Line of Credit .....	2,024	2,024
Total current liabilities .....	<hr/> 6,009	<hr/> 4,542
Long-term liabilities.....	53	43
Stockholders' equity .....	12,775	9,139
Total liabilities and stockholders' equity .....	<hr/> <hr/> <b>\$ 18,837</b>	<hr/> <hr/> <b>\$ 13,724</b>

**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,	
	2008	2009	2008	2009
Revenue:				
Product.....	\$ 2,292	\$ 1,159	\$ 5,106	\$ 2,721
IP License, royalty and other .....	2,815	2,578	5,493	4,262
Total revenue .....	5,107	3,737	10,599	6,983
Cost of revenue:				
Product.....	572	124	1,102	408
IP License, royalty and other .....	409	448	863	817
Total cost of revenue .....	981	572	1,965	1,225
Gross profit .....	4,126	3,165	8,634	5,758
Operating expenses:				
Sales and marketing .....	1,907	1,453	3,666	3,017
Research and development .....	3,050	2,267	6,035	4,754
General and administrative .....	1,238	559	1,832	792
FAS 123R and stock based compensation.....	159	118	335	401
Business restructuring expense.....	-	-	-	217
Amortization of intangibles.....	284	265	552	549
Total operating expenses .....	6,638	4,662	12,420	9,730
Income (Loss) from operations .....	(2,512)	(1,497)	(3,786)	(3,972)
Interest (expense) income.....	(5)	(48)	44	(70)
Net Income (Loss).....	<u>\$ (2,517)</u>	<u>\$ (1,545)</u>	<u>\$ (3,742)</u>	<u>\$ (4,042)</u>
Basic net gain (loss) per share.....	(0.09)	(0.05)	(0.13)	(0.14)
Shares used in computing:				
Basic net gain (loss) per share .....	28,154,311	28,966,434	28,154,311	28,877,287

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

	Six Months Ended April 30,	
	2008	2009
Cash flows from operating activities:		
Net loss.....	\$ (3,742)	\$ (4,042)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	497	456
Business restructuring expenses.....	-	217
Amortization of intangibles.....	552	549
Loss on disposal of fixed assets .....	(3)	-
Stock-based compensation.....	-	130
FAS 123R expense.....	335	272
Provision for doubtful accounts receivable.....	2	2
Provision for excess and obsolete inventory.....	(7)	56
Changes in assets and liabilities:		
Accounts receivable.....	824	1,776
Inventories.....	62	117
Prepays and other current assets.....	(337)	(7)
Accounts payable.....	(240)	(499)
Accrued expenses and other.....	683	(768)
Deferred revenue and other.....	-	11
Net cash used in operating activities.....	<u>(1,374)</u>	<u>(1,730)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(181)	(124)
Investment in privately-held company.....	(2,378)	-
Net cash used in investing activities.....	<u>(2,559)</u>	<u>(124)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	-	1
Proceeds from Borrowing on Line of Credit.....	2,024	-
Net cash provided by financing activities.....	<u>2,024</u>	<u>1</u>
Effect of Exchange Rate on Cash.....	49	52
Net increase (decrease) in cash and cash equivalents.....	(1,860)	(1,801)
Cash and cash equivalents, beginning of period.....	9,261	7,086
Cash and cash equivalents, end of period.....	<u>\$ 7,401</u>	<u>\$ 5,285</u>