



Press Release

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FOR IMMEDIATE RELEASE

Crossroads Systems Reports Fiscal Third Quarter Financial Results

Austin, Texas – August 26, 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 third quarter ended July 31, 2009 (Q3'09).

Revenue totaled \$3.9 million for Q3'09 compared to \$3.7 million in the fiscal second quarter ended April 30, 2009 (Q2'09). Product revenue totaled \$1.3 million for Q3'09 compared to \$1.2 million for Q2'09. Product revenue remained low due to our largest OEM continued to have sales below their traditional run-rate as well as a slow recovery in the economy. In addition, revenue from IP license, royalty and other totaled \$2.6 million for Q3'09 compared to \$2.5 million for Q2'09. Gross profit was \$3.3 million, or 85 percent for Q3'09, compared to \$3.2 million, or 85 percent for Q2'09. Net loss for Q3'09 was \$1.1 million, or \$0.04 cents loss per share, compared to a net loss of \$1.5 million, or \$0.05 cents loss per share in Q2'09.

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, 2008	July 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 7,086	\$ 5,623
Accounts receivable, net	5,535	3,480
Inventories, net	329	147
Prepays and other current assets	343	262
Total current assets	13,293	9,512
Property and equipment, net	1,444	986
Intangible, net.....	2,791	1,767
Investment in Subsidiaries.....	968	940
Goodwill.....	324	-
Other assets	17	69
Total assets	\$ 18,837	\$ 13,274
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,321	\$ 1,030
Accrued expenses	2,333	1,629
Accrued warranty costs	33	22
Deferred revenue	298	333
Line of Credit	2,024	1,973
Total current liabilities	6,009	4,987
Long-term liabilities.....	53	81
Stockholders' equity	12,775	8,206
Total liabilities and stockholders' equity	\$ 18,837	\$ 13,274

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2009	2008	2009
Revenue:				
Product.....	\$ 2,230	\$ 1,277	\$ 7,336	\$ 3,998
IP License, royalty and other	1,881	2,584	7,374	6,846
Total revenue	4,111	3,861	14,710	10,844
Cost of revenue:				
Product.....	356	87	1,458	495
IP License, royalty and other	376	507	1,239	1,324
Total cost of revenue	732	594	2,697	1,819
Gross profit	3,379	3,267	12,013	9,025
Operating expenses:				
Sales and marketing	1,737	1,164	5,403	4,181
Research and development	2,784	2,320	8,819	7,074
General and administrative	792	460	2,624	1,252
FAS 123R and stock based compensation.....	174	191	509	592
Business restructuring expense.....	-	-	-	217
Amortization of intangibles.....	284	265	836	814
Total operating expenses	5,771	4,400	18,191	14,130
Income (Loss) from operations	(2,392)	(1,133)	(6,178)	(5,105)
Interest (expense) income.....	3,572	(7)	3,616	(77)
Net Income (Loss).....	<u>\$ 1,180</u>	<u>\$ (1,140)</u>	<u>\$ (2,562)</u>	<u>\$ (5,182)</u>
Basic net gain (loss) per share.....	0.04	(0.04)	0.04	(0.18)
Shares used in computing:				
Basic net gain (loss) per share	28,154,311	29,103,391	28,154,311	28,953,483
Fully Diluted net gain (loss) per share	28,154,311	29,103,391	28,154,311	28,953,483

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

	Nine Months Ended July 31,	
	2008	2009
Cash flows from operating activities:		
Net loss.....	\$ (2,562)	\$ (5,182)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	736	658
Business restructuring expenses.....	-	217
Amortization of intangibles.....	836	814
Loss on disposal of fixed assets	(11)	1
Stock-based compensation.....	-	130
FAS 123R expense.....	510	462
Provision for doubtful accounts receivable.....	3	2
Provision for excess and obsolete inventory.....	20	107
Changes in assets and liabilities:		
Accounts receivable.....	886	2,248
Inventories.....	98	75
Prepays and other current assets.....	(253)	94
Accounts payable.....	(1,218)	(705)
Accrued expenses and other.....	780	(360)
Deferred revenue and other.....	-	(18)
Net cash used in operating activities.....	<u>(175)</u>	<u>(1,457)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(307)	(203)
Investment in privately-held company.....	(2,378)	-
Net cash used in investing activities.....	<u>(2,685)</u>	<u>(203)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	-	1
Proceeds from Borrowing on Line of Credit.....	2,024	(51)
Net cash provided by (used in) financing activities.....	<u>2,024</u>	<u>(50)</u>
Effect of Exchange Rate on Cash.....	33	247
Net increase (decrease) in cash and cash equivalents.....	(803)	(1,463)
Cash and cash equivalents, beginning of period.....	9,261	7,086
Cash and cash equivalents, end of period.....	<u>\$ 8,458</u>	<u>\$ 5,623</u>