



Press Release

Investor Contact:

Jennifer Crane
Crossroads Systems
jcrane@crossroads.com
512.928.6897 or 800.643.7148

Press Contact:

Matthew Zintel
Zintel Public Relations
matthew.zintel@zintelpr.com
310.574.8888

FOR IMMEDIATE RELEASE

Crossroads Systems Reports Fiscal Fourth Quarter and Fiscal 2009 Full Year Financial Results

Austin, Texas – December 16, 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 fourth quarter (Q4'09) and fiscal year ended October 31, 2009.

Fiscal Fourth Quarter 2009

Revenue totaled \$6.0 million for Q4'09 compared to \$3.9 million in the fiscal third quarter ended July 31, 2009 (Q3'09). Product revenue totaled \$1.9 million for Q4'09 as compared to \$1.3 million for Q3'09. In addition, revenue from IP licenses, royalty and other totaled \$4.1 million for Q4'09 as compared to \$2.6 million for Q3'09.

Gross profit was \$5.2 million, or 86 percent for Q4'09, compared to \$3.3 million, or 85 percent for Q3'09. Net income for Q4'09 was \$775 thousand, or \$0.03 cents gain per share, compared to a net loss of \$1.1 million, or \$0.04 cents loss per share in Q3'09.

Cash decreased from \$5.6 million in Q3'09 to \$5.3 million in Q4'09. This decrease was attributable to the timing of payments from intellectual property.

Fiscal Year 2009

Total revenue for fiscal year 2009 (FY'09) was \$16.8 million, compared with \$21.9 million for fiscal year 2008 (FY'08). Gross profit for FY'09 was \$14.2 million, or 84 percent, compared with \$18.3 million, or 84 percent, for FY'08. Net loss for FY'09 was \$4.4 million, or \$0.15 cents per share, compared to a net loss of \$7.5 million, or \$0.27 cents per share, for FY'08.

To learn more about Crossroads' 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. 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.

©2009 Crossroads Systems, Inc. Crossroads and Crossroads Systems are registered trademarks of Crossroads Systems, Inc. All specifications are subject to change without notice.

###

See Tables Attached

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

	October 31, 2008	October 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 7,086	\$ 5,297
Accounts receivable, net	5,535	5,124
Inventories, net	329	111
Prepays and other current assets	343	423
Total current assets	13,293	10,955
Property and equipment, net	1,444	830
Intangible, net.....	2,791	1,502
Investment in Subsidiaries.....	968	940
Goodwill.....	324	-
Other assets	17	69
Total assets	\$ 18,837	\$ 14,296
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,321	\$ 1,036
Accrued expenses	2,333	1,877
Accrued warranty costs	33	18
Deferred revenue	298	199
Line of Credit	2,024	1,973
Total current liabilities	6,009	5,103
Long-term liabilities.....	53	59
Stockholders' equity	12,775	9,134
Total liabilities and stockholders' equity	\$ 18,837	\$ 14,296

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

	Three Months Ended October 31,		Year Ended October 31,	
	2008	2009	2008	2009
Revenue:				
Product.....	\$ 1,969	\$ 1,872	\$ 9,305	\$ 5,870
IP License, royalty and other	5,219	4,132	12,593	10,978
Total revenue	7,188	6,004	21,898	16,848
Cost of revenue:				
Product.....	250	90	1,708	585
IP License, royalty and other	649	757	1,888	2,081
Total cost of revenue	899	847	3,596	2,666
Gross profit	6,289	5,157	18,302	14,182
Operating expenses:				
Sales and marketing	1,744	1,192	7,147	5,373
Research and development	2,824	2,265	11,643	9,339
General and administrative	548	511	3,172	1,763
FAS 123R and stock based compensation.....	151	124	660	716
Business restructuring expense.....	-	-	-	217
Loss on Impairment of Asset.....	5,694	-	5,694	-
Amortization of intangibles.....	284	265	1,120	1,079
Total operating expenses	11,245	4,357	29,436	18,487
Income (Loss) from operations	(4,956)	800	(11,134)	(4,305)
Interest (expense) income.....	(9)	(25)	3,607	(101)
Net Income (Loss).....	<u>\$ (4,965)</u>	<u>\$ 775</u>	<u>\$ (7,527)</u>	<u>\$ (4,406)</u>
Basic net gain (loss) per share.....	(0.18)	0.03	(0.27)	(0.15)
Fully Diluted net gain (loss) per share.....	(0.18)	0.03	(0.18)	(0.15)
Shares used in computing:				
Basic net gain (loss) per share	28,154,311	29,199,586	28,154,311	29,015,515
Fully Diluted net gain (loss) per share	28,154,311	29,376,774	28,154,311	29,015,515

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

	Year Ended October 31,	
	2008	2009
Cash flows from operating activities:		
Net loss.....	\$ (7,527)	\$ (4,406)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	978	839
Business restructuring expenses.....	-	217
Loss on impairment of assets.....	5,694	-
Amortization of intangibles.....	1,120	1,079
Loss on disposal of fixed assets.....	11	1
Stock-based compensation.....	-	192
FAS 123R expense.....	661	524
Provision for doubtful accounts receivable.....	-	(70)
Provision for excess and obsolete inventory.....	29	108
Changes in assets and liabilities:		
Accounts receivable.....	(1,021)	527
Inventories.....	49	110
Prepays and other current assets.....	(264)	(77)
Accounts payable.....	(333)	(698)
Accrued expenses and other.....	(1,165)	(163)
Deferred revenue and other.....	-	(151)
Net cash used in operating activities.....	<u>(1,768)</u>	<u>(1,968)</u>
Cash flows from investing activities:		
Purchase of property and equipment.....	(450)	(216)
Investment in privately-held company.....	(1,674)	-
Net cash used in investing activities.....	<u>(2,124)</u>	<u>(216)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	-	1
Proceeds from Borrowing on Line of Credit.....	2,024	-
Paydown of Line of Credit.....	-	(51)
Net cash provided by (used in) financing activities.....	<u>2,024</u>	<u>(50)</u>
Effect of Exchange Rate on Cash.....	(307)	445
Net increase (decrease) in cash and cash equivalents.....	(2,175)	(1,789)
Cash and cash equivalents, beginning of period.....	9,261	7,086
Cash and cash equivalents, end of period.....	<u>\$ 7,086</u>	<u>\$ 5,297</u>