



The relief described hereinbelow is SO ORDERED.

Signed August 18, 2017.

Ronald B. King

Ronald B. King
Chief United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In re: § Chapter 11
CROSSROADS SYSTEMS, INC. § Case No. 1751926
Debtor. §
§
§

**INTERIM ORDER ESTABLISHING NOTIFICATION AND
HEARING PROCEDURES FOR TRANSFERS OF
CERTAIN EQUITY SECURITIES**

Upon the emergency motion (the “Motion”)¹ of Crossroads Systems, Inc., a Delaware corporation, as debtor-in-possession in the above-captioned chapter 11 case (the “Debtor”) for the entry of an interim order (this “Order”) (a) establishing notification and hearing procedures that must be satisfied before certain transfers of common stock and convertible preferred stock of the Debtor or of any beneficial interest therein are deemed effective, (b) scheduling a final hearing on the Motion (the “Final Hearing”); and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the

¹ Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. § 1408; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and upon consideration of the First Day Declaration, the record of the Hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtor’s estate, its creditors, and other parties-in-interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted on an interim basis to the extent set forth herein.
2. Any purchase, sale, or other transfer of equity securities in the Debtor or of any beneficial interest therein (the common stock of the Debtor and any beneficial interest therein, including Options (as defined in Paragraph 3.e hereof) to acquire such stock, the “Common Stock”; and the convertible preferred stock of the Debtor and any beneficial interest therein, including Options (as defined in Paragraph 3.e hereof) to acquire such stock, the “Convertible Preferred Stock,”; and together with the Common Stock, the “Equity Securities”) in violation of the procedures set forth herein shall be null and void *ab initio*.
3. The following procedure shall apply to trading in Equity Securities:
 - a. Any person or entity (as defined in Bankruptcy Code § 101(15) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”) who currently is or becomes a Substantial Shareholder (as defined herein) must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210 (as defined in paragraph 3(d) below), a declaration of such status, substantially in the form of Exhibit 1 attached hereto, on or before the later of (i) 14 days after the date of the Notice of Order (as defined herein) and (ii) ten days after becoming a Substantial Shareholder; *provided, however*, that compliance with this provision shall not be required of any

Substantial Shareholder that has entered into a written agreement with the Debtor to suspend trading of all Common Stock and Preferred Stock.

- b. Prior to effectuating any transfer of Equity Securities that would result in an increase in the amount of Equity Securities of which a Substantial Shareholder has Beneficial Ownership (as such term is defined in paragraph e below) or would result in a person or an entity becoming a Substantial Shareholder, such person or entity must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210, an advance written declaration of the intended transfer of Equity Securities in the form of **Exhibit 2** attached hereto (each, a “Declaration of Intent to Purchase, Acquire or Otherwise Accumulate Equity Securities”).
- c. Unless otherwise agreed by the Debtor and 210 in writing, prior to effectuating any transfer of Equity Securities that would result in a decrease in the amount of Equity Securities of which a Substantial Shareholder has Beneficial Ownership or would result in a person or an entity ceasing to be a Substantial Shareholder, such Substantial Shareholder must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210, an advance written declaration of the intended transfer of Equity Securities in the form of **Exhibit 3** attached hereto (each, a “Declaration of Intent to Sell, Trade, or Otherwise Transfer Equity Securities” and with a Declaration of Intent to Purchase, Acquire or Accumulate Equity Securities, each, a “Declaration of Proposed Transfer”).
- d. The (i) Debtor and (ii) 210/CRDS Investment LLC (“210”) shall have 14 calendar days after receipt of a Declaration of Proposed Transfer to file with the Court and serve on such Substantial Shareholder an objection to any proposed transfer of Equity Securities described in the Declaration of Proposed Transfer on the grounds that such transfer might adversely affect the Debtor’s ability to utilize its net operating losses (“NOLs”) and tax attributes, including NOL carry-forwards and certain other tax and business credits (collectively, the “Tax Attributes”). If the Debtor or 210 file an objection, such transaction would not be effective unless such objection is withdrawn by the Debtor or 210, as applicable, or such transaction is approved by a final order of the Court that becomes non-appealable. If the Debtor and 210 do not object within such 14-day period, such transaction could proceed solely as set forth in the Declaration of Proposed Transfer. Further transactions within the scope of this paragraph must be the subject of additional notices in accordance with the procedures set forth herein, with an additional 14-day waiting period for each Declaration of Proposed Transfer.
- e. For purposes of these procedures, (i) a “Substantial Shareholder” on any particular date is any person or entity that has Beneficial Ownership of at least 4.5% of the combined aggregate value of the Debtor’s outstanding Common Stock and Convertible Preferred Stock on that date, and it shall be assumed that (x) the value of one share of Common Stock on that date is its closing trading price on NASDAQ on that date and the value of one share of Convertible Preferred Stock on that date is the greater of its liquidation preference of \$2.0625 and such Common Stock closing price, and (y) there are outstanding 1,225,472 shares of Common Stock and

2,591,257 shares of Convertible Preferred Stock; (ii) “Beneficial Ownership” of Equity Securities includes direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries; and a person or entity would be considered to beneficially own all shares owned or acquired by any entities it controls), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire (as defined immediately hereafter), and includes all shares that would be treated as beneficially owned by such person or entity for purposes of Section 382 of the Internal Revenue Code (26 U.S.C. §382); and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

5. The Debtor shall serve by first class mail, postage prepaid, a notice of the entry of this Order substantially in the form of **Exhibit 4** attached hereto (the “Notice of Order”) to (i) the Office of the United States Trustee; (ii) the holders of the 20 largest unsecured claims against the Debtor; (iii) Gibson, Dunn & Crutcher LLP, Attn: Michael A. Rosenthal and Matthew G. Bouslog, 200 Park Avenue, New York, New York 10166-0193, counsel to 210; (iv) the Securities and Exchange Commission; (v) counsel to any statutory committee appointed in the Chapter 11 Case; (vi) all holders of Convertible Preferred Stock in the Debtor (vii) all registered holders of Common Stock; (viii) the Internal Revenue Service; and (ix) all brokers or transfer agents for any Equity Securities through its noticing agent, Broadridge.

6. All brokers or transfer agents for any Equity Securities shall be required to serve the Notice of Order on all holders of Common Stock or Convertible Preferred Stock in the Debtor registered with such broker or transfer agent no later than five business days after being served with the Notice of Order

7. Any entity or broker or agent acting on such entity’s behalf who sells in excess of 1% of outstanding Common Stock or 1% of outstanding Convertible Preferred Stock to another entity shall be required to serve a copy of the Notice of Order or Notice of Final Order, as

applicable, on such purchaser of such Equity Securities or any broker or agent acting on such purchaser's behalf.

8. At least on the first business day of each calendar quarter after the date of the entry of the Order during the Chapter 11 Case, all brokers or transfer agents for any Equity Securities shall serve the Notice of Order until a Notice of Final Order has been served, and then the Notice of Final Order, on all holders of shares of Stock registered with such broker or transfer agent.

9. To the extent necessary, the Final Hearing on the Motion shall be held before the United States Bankruptcy Judge Ronald B. King, in Courtroom No. 1 of the Hipolito F. Garcia Federal Building and United States Courthouse, 615 East Houston Street, San Antonio, Texas 78205 on **August 29, 2017 at 2:00 p.m. prevailing Central Time**. Any objections to the relief requested in the Motion on a final basis must be filed no later than August 25, 2017 (the "Objection Deadline") and served on the following parties: (i) the Debtor's counsel, Eric Terry Law, PLLC, 3511 Broadway Street, San Antonio, Texas 78209, Attn: Eric Terry (ii) 210's counsel, Gibson, Dunn & Crutcher LLP, Attn: Michael A. Rosenthal and Matthew G. Bouslog, 200 Park Avenue, New York, New York 10166-0193; (iii) the Office of the United States Trustee; and (iv) counsel to any statutory committee appointed in the Chapter 11 Case.

10. If an objection is timely filed and served so as to be received on or before the Objection Deadline, such objection shall be set for the Final Hearing on **August 29, 2017 at 2:00 p.m. prevailing Central Time**. This Order, and all acts taken in furtherance of or reliance upon this Order, shall be effective notwithstanding the filing of an objection.

10. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in this Order or any payment made pursuant to this Order shall constitute, nor is it intended to constitute, an admission as to the validity or priority of any claim (or equity interest

in) against the Debtor, a waiver of the Debtor's rights to subsequently dispute such claim (or equity interest) or the assumption or adoption of any agreement, contract or lease under Bankruptcy Code § 365.

11. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied by the contents of the Motion or otherwise deemed waived.

12. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such motion and the requirements of the Local Rules are satisfied by such notice.

13. To the extent that this Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Order shall govern.

14. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

15. The Debtor is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

16. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

END OF ORDER

Submitted by:

Eric Terry
Texas Bar No. 00794729
ERIC TERRY LAW, PLLC
3511 Broadway
San Antonio, Texas 78209
Telephone: (210) 468-8274
Facsimile: (210) 319-5447
eric@ericterryllaw.com

**PROPOSED ATTORNEY FOR
THE DEBTOR-IN-POSSESSION**

Exhibit 1

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In re: § Chapter 11
CROSSROADS SYSTEMS, INC. § Case No. 17-51926
Debtor. §
§

DECLARATION OF STATUS AS A SUBSTANTIAL SHAREHOLDER¹

PLEASE TAKE NOTICE that the undersigned party is/has become a Substantial Shareholder with respect to the equity securities in Crossroads Systems, Inc., a Delaware corporation (the “Debtor”) or of any beneficial interest therein (the common stock or convertible preferred stock of the Debtor and any beneficial interest therein, including Options (as defined in the Order) to acquire such stock, the “Stock” or the “Equity Securities”). The Debtor is a debtor and debtor-in-possession in Case No. 17-51926 pending in the United States Bankruptcy Court for the Western District of Texas.

PLEASE TAKE FURTHER NOTICE that, as of _____, 2017, the undersigned party has Beneficial Ownership of _____ shares of Common Stock/Convertible Preferred Stock

¹ For purposes of this Declaration, (i) a “Substantial Shareholder” on any particular date is any person or entity that has Beneficial Ownership of at least 4.5% of the combined aggregate value of the Debtor’s outstanding Common Stock and Convertible Preferred Stock on that date, and it shall be assumed that (x) the value of one share of Common Stock on that date is its closing trading price on NASDAQ on that date and the value of one share of Convertible Preferred Stock on that date is the greater of its liquidation preference of \$2.0625 and such Common Stock closing price, and (y) there are outstanding 1,225,472 shares of Common Stock and 2,591,257 shares of Convertible Preferred Stock; (ii) “Beneficial Ownership” of Equity Securities includes direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries; and a person or entity would be considered to beneficially own all shares owned or acquired by any entities it controls), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire (as defined immediately hereafter), and includes all shares that would be treated as beneficially owned by such person or entity for purposes of Section 382 of the Internal Revenue Code (26 U.S.C. §382); and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

(strike one). The following table sets forth the date(s) on which the undersigned party acquired Beneficial Ownership or otherwise has Beneficial Ownership of such Equity Securities:

Number of Shares	Date Acquired

(Attach additional page or pages if necessary)

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain [*Interim/Final*] *Order Establishing Notification and Hearing Procedures for Transfers of Certain Equity Securities*, this Declaration is being filed with the Court and served upon counsel to the Debtor.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments which purport to be part of this Declaration, are true, correct, and complete.

Respectfully submitted,
(Name of Substantial Shareholder)
By: _____
Name: _____
Address: _____

Telephone: _____
Facsimile: _____

Dated: _____

Exhibit 2

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In re: § Chapter 11
CROSSROADS SYSTEMS, INC. § Case No. 17-51926
Debtor. §
§
§

**DECLARATION OF INTENT TO PURCHASE,
ACQUIRE OR OTHERWISE ACCUMULATE EQUITY SECURITIES**

PLEASE TAKE NOTICE that the undersigned party hereby provides notice of its intention to purchase, acquire or otherwise accumulate one or more shares of the equity securities in Crossroads Systems, Inc., a Delaware corporation (the “Debtor”) or a beneficial interest therein (the common stock or convertible preferred stock of the Debtor and any beneficial interest therein, including Options (as defined in the Order) to acquire such stock, the “Stock” or the “Equity Securities”) (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on _____, 2017, the undersigned party filed a Declaration of Status as a Substantial Shareholder¹ with the United States

¹ For purposes of this Declaration, (i) a “Substantial Shareholder” on any particular date is any person or entity that has Beneficial Ownership of at least 4.5% of the combined aggregate value of the Debtor’s outstanding Common Stock and Convertible Preferred Stock on that date, and it shall be assumed that (x) the value of one share of Common Stock on that date is its closing trading price on NASDAQ on that date and the value of one share of Convertible Preferred Stock on that date is the greater of its liquidation preference of \$2.0625 and such Common Stock closing price, and (y) there are outstanding 1,225,472 shares of Common Stock and 2,591,257 shares of Convertible Preferred Stock; (ii) “Beneficial Ownership” of Equity Securities includes direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries; and a person or entity would be considered to beneficially own all shares owned or acquired by any entities it controls), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire (as defined immediately hereafter), and includes all shares that would be treated as beneficially owned by such person or entity for purposes of Section 382 of the Internal Revenue Code (26 U.S.C. §382); and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

Bankruptcy Court for the Western District of Texas (the “Bankruptcy Court”) and served copies thereof as set forth therein.

PLEASE TAKE FURTHER NOTICE that the undersigned party currently has Beneficial Ownership of _____ shares of Common Stock/Convertible Preferred Stock (strike one).

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, the undersigned party proposes to purchase, acquire or otherwise accumulate _____ shares of Common Stock/Convertible Preferred Stock (strike one) or an Option with respect to _____ shares of Common Stock/Convertible Preferred Stock (strike one). If the Proposed Transfer is permitted to occur, the undersigned party will have beneficial ownership of _____ shares of Common Stock/Convertible Preferred Stock (strike one) after such transfer becomes effective.

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain [*Interim/Final*] *Order Establishing Notification and Hearing Procedures for Transfers of Certain Equity Securities*, this Declaration is being filed with the Bankruptcy Court and served upon counsel to the Debtor.

PLEASE TAKE FURTHER NOTICE that the Debtor and 210/CRDS Investment LLC (“210”) have 14 calendar days after receipt of this Declaration to object to the Proposed Transfer described herein. If the Debtor or 210 file an objection, such Proposed Transfer will not be effective unless approved by a final order of the Bankruptcy Court that becomes non-appealable. If the Debtor and 210 do not object within such 14-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in this Declaration.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by the undersigned party that may result in the undersigned party’s purchasing, acquiring or otherwise

accumulating additional shares of Equity Securities or an Option with respect thereto will each require an additional notice filed with the Bankruptcy Court to be served in the same manner as this Declaration.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments, which purport to be part of this Declaration, are true, correct, and complete.

Respectfully submitted,
(Name of Declarant)
By: _____
Name: _____
Address: _____

Telephone: _____
Facsimile: _____

Dated: _____

Exhibit 3

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In re: § Chapter 11
CROSSROADS SYSTEMS, INC. § Case No. 17-51926
Debtor. §
§

**DECLARATION OF INTENT TO SELL,
TRADE OR OTHERWISE TRANSFER EQUITY SECURITIES**

PLEASE TAKE NOTICE that the undersigned party hereby provides notice of its intention to sell, trade or otherwise transfer shares of the equity securities in Crossroads Systems, Inc., a Delaware corporation (the “Debtor”) or a beneficial interest therein (the common stock or convertible preferred stock of the Debtor and any beneficial interest therein, including Options (as defined in the Order) to acquire such stock, the “Stock” or the “Equity Securities”) (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on _____, 2017, the undersigned party filed a Declaration of Status as a Substantial Shareholder¹ with the United States

¹ For purposes of this Declaration, (i) a “Substantial Shareholder” on any particular date is any person or entity that has Beneficial Ownership of at least 4.5% of the combined aggregate value of the Debtor’s outstanding Common Stock and Convertible Preferred Stock on that date, and it shall be assumed that (x) the value of one share of Common Stock on that date is its closing trading price on NASDAQ on that date and the value of one share of Convertible Preferred Stock on that date is the greater of its liquidation preference of \$2.0625 and such Common Stock closing price, and (y) there are outstanding 1,225,472 shares of Common Stock and 2,591,257 shares of Convertible Preferred Stock; (ii) “Beneficial Ownership” of Equity Securities includes direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries; and a person or entity would be considered to beneficially own all shares owned or acquired by any entities it controls), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire (as defined immediately hereafter), and includes all shares that would be treated as beneficially owned by such person or entity for purposes of Section 382 of the Internal Revenue Code (26 U.S.C. §382); and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

Bankruptcy Court for the Western District of Texas (the “Bankruptcy Court”) and served copies thereof as set forth therein.

PLEASE TAKE FURTHER NOTICE that the undersigned party currently has Beneficial Ownership of _____ shares of Common Stock.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, the undersigned party proposes to sell, trade, or otherwise transfer _____ shares of Common Stock/Convertible Preferred Stock (strike one) or an Option with respect to _____ shares of Common Stock/Convertible Preferred Stock (strike one). If the Proposed Transfer is permitted to occur, the undersigned party will have Beneficial Ownership of _____ shares of Common Stock/Convertible Preferred Stock (strike one) after the transfer becomes effective.

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain [*Interim/Final*] *Order Establishing Notification and Hearing Procedures for Transfers of Certain Equity Securities* (the “Order”), this Declaration is being filed with the Bankruptcy Court and served upon counsel to the Debtor.

PLEASE TAKE FURTHER NOTICE that the Debtor and 210/CRDS Investment LLC (“210”) have 14 calendar days after receipt of this Declaration to object to the Proposed Transfer described herein. If the Debtor or 210 file an objection, such Proposed Transfer will not be effective unless approved by a final order of the Bankruptcy Court that becomes non-appealable. If the Debtor and 210 do not object within such 14-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in this Declaration.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by the undersigned party that may result in the undersigned party's selling, trading or otherwise transferring shares of Equity Securities or an Option with respect thereto will each require an additional notice filed with the Bankruptcy Court to be served in the same manner as this Declaration.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments, which purport to be part of this Declaration, are true, correct, and complete.

Respectfully submitted,
(Name of Declarant)

By: _____

Name: _____

Address: _____

Telephone: _____

Facsimile: _____

Dated: _____

Exhibit 4

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

In re: § Chapter 11
CROSSROADS SYSTEMS, INC. § Case No. 17-
Debtor. §
§
§

**NOTICE OF (A) NOTIFICATION PROCEDURES APPLICABLE TO SUBSTANTIAL
HOLDERS (B) NOTIFICATION AND HEARING PROCEDURES FOR TRADING IN
EQUITY SECURITIES, AND (C) ALLOWING A HEARING ON THE PROSPECTIVE
APPLICATION THEREOF**

**TO: ALL ENTITIES (AS DEFINED BY SECTION 101(15) OF THE BANKRUPTCY
CODE) THAT HOLD EQUITY INTERESTS OF CROSSROADS SYSTEMS, INC.:**

PLEASE TAKE NOTICE THAT on August 13, 2017 (the “Commencement Date”), Crossroads Systems, Inc., a Delaware corporation (the “Debtor”), filed a petition with the Court under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”). Subject to certain exceptions, Bankruptcy Code § 362 operates as a stay of any act to obtain possession of property of the Debtor’s estate or property from the Debtor’s estates or to exercise control over property of the Debtor’s estate.

PLEASE TAKE FURTHER NOTICE THAT on the Commencement Date, the Debtor filed the *Debtor’s Motion for Entry of Interim and Final Orders Establishing Notification and Hearing Procedures for Transfers of Certain Equity Securities and for Related Relief* (the “Motion”).

PLEASE TAKE FURTHER NOTICE THAT on August 17, 2017, the United States Bankruptcy Court for the Western District of Texas (the “Bankruptcy Court”) entered the *Interim Order Establishing Notification and Hearing Procedures for Transfers of Certain Equity*

Securities, approving the procedures set forth below in order to preserve the Debtor's NOLs and Tax Attributes (each as defined below) (the "Order").

PLEASE TAKE FURTHER NOTICE THAT pursuant to the Order, the following procedures shall apply to holding and trading in the equity securities in the Debtor or a beneficial interest therein (the common stock or convertible preferred stock of the Debtor and any beneficial interest therein, including Options (as defined in the Order) to acquire such stock, the "Stock" or the "Equity Securities"):

a. Any person or entity (as defined in Bankruptcy Code § 101(15) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") who currently is or becomes a Substantial Shareholder (as defined herein) must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210 (as defined in paragraph 3(e) below), a declaration of such status, substantially in the form of **Exhibit 1** attached hereto, on or before the later of (i) 14 days after the date of the Notice of Order (as defined herein) and (ii) ten days after becoming a Substantial Shareholder; *provided, however*, that compliance with this provision shall not be required of any Substantial Shareholder that has entered into a written agreement with the Debtor to suspend trading of all Common Stock and Preferred Stock.

b. Prior to effectuating any transfer of Equity Securities that would result in an increase in the amount of Equity Securities of which a Substantial Shareholder has Beneficial Ownership (as such term is defined in paragraph e below) or would result in a person or an entity becoming a Substantial Shareholder, such person or entity must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210, an advance written declaration of the intended transfer of Equity Securities in the form of **Exhibit 2** attached hereto (each, a "Declaration of Intent to Purchase, Acquire or Otherwise Accumulate Equity Securities").

c. Unless otherwise agreed by the Debtor and 210 in writing, prior to effectuating any transfer of Equity Securities that would result in a decrease in the amount of Equity Securities of which a Substantial Shareholder has Beneficial Ownership or would result in a person or an entity ceasing to be a Substantial Shareholder, such Substantial Shareholder must file with the Court, and serve upon counsel to (i) the Debtor and (ii) 210, an advance written declaration of the intended transfer of Equity Securities in the form of **Exhibit 3** attached hereto (each, a "Declaration of Intent to Sell, Trade, or Otherwise Transfer Equity Securities" and with a Declaration of Intent to Purchase, Acquire or Accumulate Equity Securities, each, a "Declaration of Proposed Transfer").

d. (i) the Debtor and (ii) 210/CRDS Investment LLC ("210") shall have 14 calendar days after receipt of a Declaration of Proposed Transfer to file with the Court and serve on such Substantial Shareholder an objection to any proposed transfer of Equity Securities described in the Declaration of Proposed Transfer on the grounds that such transfer might adversely affect the Debtor's ability to utilize its net operating losses ("NOLs") and tax attributes, including NOL carry-forwards and certain other tax and business credits (collectively, the "Tax Attributes"). If the

Debtor or 210 file an objection, such transaction would not be effective unless such objection is withdrawn by the Debtor or 210, as applicable, or such transaction is approved by a final order of the Court that becomes non-appealable. If the Debtor and 210 do not object within such 14-day period, such transaction could proceed solely as set forth in the Declaration of Proposed Transfer. Further transactions within the scope of this paragraph must be the subject of additional notices in accordance with the procedures set forth herein, with an additional 14-day waiting period for each Declaration of Proposed Transfer.

e. For purposes of these procedures, (i) a “Substantial Shareholder” on any particular date is any person or entity that has Beneficial Ownership of at least 4.5% of the combined aggregate value of the Debtor’s outstanding Common Stock and Convertible Preferred Stock on that date, and it shall be assumed that (x) the value of one share of Common Stock on that date is its closing trading price on NASDAQ on that date and the value of one share of Convertible Preferred Stock on that date is the greater of its liquidation preference of \$2.0625 and such Common Stock closing price, and (y) there are outstanding 1,225,472 shares of Common Stock and 2,591,257 shares of Convertible Preferred Stock; (ii) “Beneficial Ownership” of Equity Securities includes direct and indirect ownership (*e.g.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries; and a person or entity would be considered to beneficially own all shares owned or acquired by any entities it controls), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire (as defined immediately hereafter), and includes all shares that would be treated as beneficially owned by such person or entity for purposes of Section 382 of the Internal Revenue Code (26 U.S.C. §382); and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

PLEASE TAKE FURTHER NOTICE THAT, upon the request of any entity via email to eric@ericterryllaw.com, counsel to the Debtor will provide a form of each of the required declarations described above and a copy of the Order in a reasonable period of time.

FAILURE TO FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE SHALL CONSTITUTE A VIOLATION OF, AMONG OTHER THINGS, THE AUTOMATIC STAY PROVISIONS OF BANKRUPTCY CODE § 362. ANY PROHIBITED PURCHASE, SALE, TRADE, OR OTHER TRANSFER OF EQUITY SECURITIES IN THE DEBTOR OR OPTION WITH RESPECT THERETO IN VIOLATION OF THE ORDER SHALL BE NULL AND VOID *AB INITIO* AND MAY BE

PUNISHED BY CONTEMPT OR OTHER SANCTIONS IMPOSED BY THE BANKRUPTCY COURT.

PLEASE TAKE FURTHER NOTICE THAT the requirements set forth in this Notice are in addition to the requirements of applicable law and do not excuse compliance therewith.

RESPECTFULLY SUBMITTED this 17th day of August, 2017.

ERIC TERRY LAW, PLLC

By: /s/ Eric Terry

Eric Terry

Texas Bar No. 00794729

3511 Broadway

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