

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

IN RE: § **CASE NO. 17-51926-rbk**
CROSSROADS SYSTEMS, INC. §
Debtor § **CHAPTER 11 PROCEEDING**

**APPLICATION OF CROSSROADS SYSTEMS, INC. FOR ORDER
PURSUANT TO 11 U.S.C. §§ 327, 328 AND 329 AND FED. R. BANKR. P. 2014
AND 2016 AUTHORIZING EMPLOYMENT AND RETENTION
OF ERIC TERRY LAW, PLLC AS COUNSEL FOR DEBTOR**

Crossroads Systems, Inc. (the “Debtor” or “CRS”) files this Application of Crossroads Systems, Inc. for Order Pursuant to 11 U.S.C. §§ 327, 328 and 329 and FED. R. BANKR. P. 2014 and 2016 Authorizing Employment and Retention of Eric Terry Law, PLLC as Counsel for Debtor (the “Application”), pursuant to Local Rule 2014 and Rule 2016. In support of the Application, the Debtor relies upon the Verified Statement of Eric Terry in Support of Debtor’s Application (the “Terry Verified Statement”), a copy which is attached hereto as Exhibit A. Also attached is the Statement of Eric Terry Law PLLC Under 11 U.S.C. § 329 and Fed. R. Bankr. 2016, a copy of which is attached hereto as Exhibit B. The Debtor respectfully represents the following:

Jurisdiction and Venue

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157, and the Standing Order of Reference from the United States District Court for the Western District of Texas. This Application concerns the administration of the estate, and therefore, it is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and the Court may enter a final order consistent with Article III of the United States Constitution.

Factual Background

2. On August 13, 2017 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

Relief Requested and Basis Therefor

3. By this Application, the Debtor seeks entry of a final order authorizing the Debtor’s retention and employment of Eric Terry Law PLLC (“ET Law”, “Terry”, or the “Firm”) as counsel to the Debtor in this bankruptcy case.

A. ET Law’s Qualifications

4. The Debtor believes that Eric Terry Law PLLC is qualified to advise and represent the Debtor in this bankruptcy case, including with respect to the Debtor’s relations with, and responsibilities to, the creditors and other interested parties in the case.

5. The Debtor seeks to retain ET Law for, among others, the following reasons:

- a. Eric Terry has extensive experience and knowledge in the field of debtors’ and creditors’ rights and business reorganizations under Chapter 11 of the Bankruptcy Code. Eric Terry has expertise, experience, and knowledge practicing before bankruptcy courts throughout the United States and before the United States Bankruptcy Court for the Western District of Texas. Eric Terry’s appearance before this Court for the matters in this case will be efficient and cost effective for the Debtor’s estate.
- b. From the time ET Law was contacted, they have proven responsive and devoted resources to address the many events that have transpired, and are working to assist in the implementation of the pending matters in the bankruptcy case, or as believed necessary to move this bankruptcy case forward.

B. Compensation

6. ET Law will seek Court approval of its compensation and reimbursement of its actual, necessary expenses and other charges incurred by the Firm in connection with the bankruptcy case upon the filing of appropriate applications for interim and final compensation

and reimbursement of expenses pursuant to 11 U.S.C. §§ 330 and 331, the Bankruptcy Rules, and the Local Rules. Eric Terry has agreed to a reduction from his standard rate of \$425 per hour to a rate of \$350 per hour for this engagement.

<i>Professional</i>	<i>Standard Hourly Rate</i>	<i>Agreed Reduced Rate</i>
<i>Eric Terry</i>	\$425.00	\$350.00

7. It is the Firm’s policy to charge its clients in all areas of practice for all other expenses incurred in connection with a client’s case. The expenses charged to clients include, among other things, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for “working meals,” computerized research, transcription costs, as well as non-ordinary overhead expenses approved by the client such as secretarial and other overtime. The Firm will charge the Debtor for these expenses in a manner and at rates consistent with charges made generally to the Firm’s other clients.

8. The Firm has been retained by the Debtor pursuant to a written engagement agreement including certain necessary amendments (the “Engagement Agreement”), attached hereto as **Exhibit 1**. ET Law has received a retainer in the amount of \$20,950.00 in connection with its engagement by the Debtor. ET Law will hold such pre-petition retainer “in trust” pending the Court’s approval ET Law’s fees.

9. As set forth in the Terry Verified Statement, ET Law has not shared or agreed to share any of its compensation from the Debtor with any other person or entity, other than as permitted by 11 U.S.C. § 504.

10. In addition, ET Law requests the Court to approve its agreement with the Debtor whereby, in the event that its case is converted to a case under Chapter 7 of the Bankruptcy Code, any amounts being held as a retainer by ET Law shall, after a credit for court-approved fees and expenses incurred during this Chapter 11 proceeding, become a reasonable earned fee to compensate ET Law for its representation of the Debtor in any such Chapter 7 proceeding.

C. Services to be Provided

11. The professional services that the Firm will render to the Debtor include, but shall not be limited to, the following:

- to provide legal advice with respect to the Debtor's powers and duties as debtor in possession in the continued operation of its business, management of its properties and the sale of its assets;
- to prepare and pursue relief associated with maximizing the value of the assets of the Debtor's estate, whether via a sale of all assets or through confirmation of a plan after approval of a disclosure statement;
- to prepare on behalf of the Debtor necessary applications, motions, answers, orders, reports and other legal papers seeking relief that, in the Debtor's business judgment, is necessary and proper;
- to appear in Court and to protect the interests of the Debtor before the Court; and
- to perform all other legal services for the Debtor that may be necessary and proper in these proceedings consistent with the Debtor's status in chapter 11.

12. ET Law is well qualified and able to provide the foregoing services.

D. Bankruptcy Rule 2014 Disclosure

13. To the best of the Debtor's knowledge, information, and belief, and except as disclosed herein and in the Terry Verified Statement, ET Law has not represented the Debtor, its

creditors, any other parties in interest, or their respective attorneys, in any matter relating to the Debtor or its estate. ET Law believes and has represented that it is a “disinterested person” as that term is defined in 11 U.S.C. § 101(14) in that the Firm and its attorney:

- a. are not creditors, equity security holders, or insiders of the Debtor;
- b. are not and were not, within two (2) years before the Petition Date, directors, officers, or employees of the Debtor; and
- c. do not have an interest materially adverse to the interests of the Debtor’s estate or of any class of the Debtor’s creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtor, or for any other reason.

14. For the above reasons, the Debtor submits that ET Law’s retention in this bankruptcy case, at this time, is necessary, prudent, and in the best interests of the Debtor and its estate.

WHEREFORE, PREMISES CONSIDERED, CROSSROADS SYSTEMS, INC., Debtor, respectfully requests that this Court enter its Order approving, effective as of August 13, 2017, the employment of Eric Terry Law, PLLC as counsel for Debtor in the representation of Debtor in all aspects of this Bankruptcy Proceeding, approving ET Law's hourly rates as fair and reasonable and the Debtor requests that the Court grant such other and further relief to which the Debtor may show itself to be justly entitled.

CROSSROADS SYSTEMS, INC.

By: /s/ Jennifer Crane

Name: Jennifer Crane

Title: Chief Financial Officer

Dated: August 18, 2017

The Application is confirmed by Proposed Counsel.

Dated: August 18th, 2017

ERIC TERRY LAW PLLC

By: /s/ Eric Terry

Eric Terry

Texas Bar No. 00794729

3511 Broadway

San Antonio, TX 78209

Telephone: (210) 468-8274

Facsimile: (210)-319-5447

PROPOSED COUNSEL FOR DEBTOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this documents has been served on this 18th day of August, 2017 via Court's ECF System and/or via U.S. First Class Mail to the twenty largest unsecured creditors, counsel for 210, the United States Trustee, and the holders of Preferred Interests (and by email/fax if known). A copy of this document can also be downloaded on the Debtor's website at <https://www.crossroads.com>.

By: /s/ Eric Terry

Eric Terry

EXHIBIT A

Terry Verified Statement

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

IN RE: CROSSROADS SYSTEMS, INC. Debtor	§ CASE NO. 17-51926-rbk § § CHAPTER 11 PROCEEDING
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I, Eric Terry, declare (this “Declaration”) as follows under penalty of perjury under 28 U.S.C § 1746:

1. I am the sole attorney in the firm of Eric Terry Law PLLC (“ET Law” or the “Firm”), 3511 Broadway, San Antonio, Texas, 78209. I am duly admitted to practice in the state of Texas and the United States District Court for the Western District of Texas. This Declaration is submitted in support of the Application of Crossroads Systems, Inc. for Order Pursuant to 11 U.S.C. §§ 327, 328 And 329 And Fed. R. Bankr. P. 2014 and 2016 Authorizing Employment and Retention of Eric Terry Law PLLC As Counsel for Debtor (the “Application”).¹

Connections.

2. To the best of my knowledge and belief, ET Law has not represented the Debtor’s creditors, equity security holders, or any other parties-in-interest, or the U.S. Trustee in any matters relating to the Debtor or its estate. Therefore, to the best of my knowledge and belief, ET Law is a “disinterested person” as that term is defined in section 101(14) of the Bankruptcy Code in that ET Law, and except as disclosed herein, its attorney:

- a) Is not a creditor, equity security holder, or insider of the Debtor;
- b) Is not and were not, within two (2) years before the date of the bankruptcy filing date, a director, officer, or employee of the Debtor; and

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Application.

- c) Does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor, or for any other reason.

3. ET Law may have in the past, may presently, and/or may in the future represent creditors and other parties-in-interest of the Debtor in matters unrelated to this case.

Search and Disclosure Procedures.

4. ET Law maintains a conflicts database management system (the “System”), which is designed to reveal the potential for conflicts of interest and other connections to existing and former clients. We have utilized the System to search for potential conflicts of interest and other connections to existing and former clients and other potential parties-in-interest in this case. In conducting such search, ET Law received information from the Debtor regarding creditors and parties-in-interest in this case.

5. The System holds no information that would suggest that ET Law is now, or has ever been, adverse to the Debtor, or that the Firm has ever represented any parties-in-interest in matters related to this case or to the Debtor.

6. To the best of my knowledge, information and belief: (i) ET Law has no connection with the Debtor’s creditors, potential parties-in-interest or affiliates; (ii) ET Law does not represent or hold any interest adverse to the Debtor, its estate, creditors, equity security holders, or affiliates in the matters upon which ET Law is to be engaged; and (iii) ET Law is a “disinterested person” within the meaning of section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and as required by section 327(a) of the Bankruptcy Code.

7. Insofar as other connections with parties-in-interest are concerned, it is possible that Eric Terry may have personal or social connections with certain parties-in-interest. ET Law

submits, however, that individual affiliations with parties-in-interest will not in any way affect the services that ET Law proposes to provide to the Debtor.

8. ET Law will, to the extent necessary, supplement this Declaration as may be required by the Bankruptcy Code and Rules if and when any other relationships exist or are modified such that further disclosure is required. ET Law will implement appropriate internal procedures to protect the interests of the Debtor in connection with the representations and relationships set forth above.

9. In addition, to the best of my knowledge, information, and belief and in accordance with Bankruptcy Rule 5002, I am not a relative of the United States Bankruptcy Judge assigned to this bankruptcy case, and ET Law does not have a connection with the United States Bankruptcy Judge that would render its retention in this case improper. Further, in accordance with Bankruptcy Rule 2014, ET Law does not have any connection with the Office of the United States Trustee (the “U.S. Trustee”) or any persons employed by the U.S. Trustee.

Compensation Matters.

10. ET Law was retained by the Debtor pursuant to the Engagement Agreement. ET Law has received a retainer in the amount of \$20,950.00 in connection with its engagement by the Debtor.

11. The Firm intends to apply for compensation for professional services rendered in connection with this bankruptcy case subject to approval of the Court and in compliance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by the Firm. Eric Terry has agreed to reduce his standard \$425 per hour rate to a rate of \$350 per hour for this engagement.

12. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with a client's case. The expenses charged to clients include, among other things, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses approved by the client such as secretarial and other overtime. The Firm will charge the Debtor for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients.

13. No promises have been received by the Firm or by any partner, counsel, or associate thereof as to compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code. The Firm has no agreement with any other entity to share with such entity any compensation received by the Firm in connection with this proceeding.

14. The Debtor has agreed that, to the extent that his case is converted to a case under Chapter 7, any amounts being held as a retainer with ET Law, subject to court approval, will become a reasonable earned fee to compensate ET Law to defend Debtor in any such Chapter 7.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated August 18, 2017

/s/Eric Terry
Eric Terry

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on August 18th, 2017, personally appeared Eric Terry, who having been duly sworn did depose and say that he is over eighteen (18) years of age; has never been convicted of a crime; is in all other respects competent to make this Affidavit; that he has reviewed the above and foregoing Verified Statement; and that the information contained therein has been prepared upon his information and belief.

/s/ Heather J. D'Angelo [Commission Expires 06/16/2020]
Notary Public, State of Texas

EXHIBIT B

2016 Statement

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

IN RE: CROSSROADS SYSTEMS, INC. Debtor	§ CASE NO. 17-51926-rbk § § CHAPTER 11 PROCEEDING
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**STATEMENT OF ERIC TERRY LAW PLLC UNDER AND 11 U.S.C. § 329 AND
FED. R. BANKR. P. 2016**

1. Eric Terry Law PLLC (“ET Law”), pursuant to Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and section 329 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), states that the undersigned is proposed counsel for the above-captioned debtor and debtor-in-possession (the “Debtor”) in this bankruptcy case.

2. The services to be rendered by ET Law in connection with this bankruptcy case includes all those services set forth in the Debtor’s Application for Order Pursuant to 11 U.S.C. §§ 327, 328 and 329 and Fed. R. Bankr. P. 2014 and 2016 Authorizing Employment and Retention of Eric Terry Law PLLC as Counsel for Debtor (the “Application”).²

3. The Debtor has agreed to pay ET Law for the legal services rendered or to be rendered on the Debtor’s behalf in connection with this case by Eric Terry. The Debtor has also agreed to reimburse ET Law for its actual, necessary expenses and other charges incurred by the Firm in connection with this proceeding.

4. ET Law was retained by the Debtor pursuant to the Engagement Agreement. ET Law has received a retainer in the amount of \$20,950.00 in connection with its engagement by the Debtor.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Application.

5. Within the one year prior to the Petition Date, ET Law has received certain prepayments for services rendered or to be rendered in contemplation of, or in connection with, this bankruptcy case. Specifically, ET Law received \$30,767.00 (fees and expenses) from the Debtor prepetition.

6. ET Law intends to seek Court approval of its compensation and reimbursement of its actual, necessary expenses and other charges incurred by the Firm in connection with this bankruptcy case upon the filing of appropriate applications for interim and final compensation and reimbursement of expenses pursuant to 11 U.S.C. §§ 330 and 331, the Bankruptcy Rules, and the Local Rules.

7. ET Law further states that it has not shared, or agreed to share, (a) any compensation it has received or may receive with another party or person, or (b) any compensation another person or party has received or may receive.

Dated: August 18, 2017

Respectfully submitted,

ERIC TERRY LAW PLLC

/s/ Eric Terry _____

Eric Terry

Texas Bar No. 00794729

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San Antonio, Texas 78209

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PROPOSED COUNSEL FOR DEBTOR