

**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.	§	
	§	
	§	

**DECLARATION OF MITCHELL TRUELOCK IN SUPPORT OF  
THE DEBTOR’S WARRANT/OPTION MOTION**

I, Mitchell Truelock, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury as follows:

1. I am a Managing Director in the investment banking department at ROTH Capital Partners (“Roth”), which has an office at 888 San Clemente Drive, Newport Beach, California 92660. I am authorized to make this declaration on behalf of Roth and in support of the *Debtor’s Motion for an Order (i) Authorizing the Debtor to Reject Warrant/Option Agreements and (ii) Estimating Rejection Claims* (the “Motion”).<sup>1</sup>

2. Roth was hired and paid a fixed fee by the Debtor to conduct an independent valuation of its outstanding warrants and options (collectively, the “Warrants/Options”). Roth previously held 7,385 Warrants, which it forfeited prior to the Petition Date. Except as otherwise disclosed herein, Roth has no connection to, or interest in, the Debtor.

3. Except as otherwise noted, I have personal knowledge of the facts set forth herein. If I were called upon to testify, I could and would testify to each of the facts set forth below.

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<sup>1</sup> Capitalized terms used, but not otherwise defined herein, shall have the meaning ascribed to such term in the Motion.

### **Qualifications**

4. I have been with Roth since 2007 and have been with Roth's investment banking department during that entire period. As a Managing Director in Roth's investment banking department, I regularly conduct valuations of equity securities, including options and warrants. Prior to joining Roth, I worked at another investment bank where I also conducted valuations of equity securities, worked on numerous IPOs, private placements and mergers and acquisitions. I also spent three years as a corporate attorney at Cooley Godward Kronish LLP in San Francisco, where I worked on IPOs, private placements, mergers and acquisitions and general corporate securities work for companies. I have an LL.M in Corporate and Securities Law from Georgetown University (with Distinction), a J.D. from Southern Methodist University (Cum Laude), and a B.B.A. in Accounting from the University of Texas (Summa Cum Laude).

5. Roth is an investment banking firm dedicated to the small-cap public market. Roth offers its clients a full spectrum of investment banking services, including capital raising, research coverage, trading and market making, merger and acquisition advisory services, and investor conferences. By focusing exclusively on emerging growth companies, Roth has developed an unparalleled understanding of these companies. Roth has raised over \$33 billion for small-cap public companies and completed over 275 merger, acquisition and advisory assignments.

6. Roth has also represented the Debtor in the following transactions: in March 2014, Roth acted as financial advisor to the Debtor in the private placement of approximately \$4.5 million of common stock; in January 2015, Roth acted as lead placement agent for the Debtor in selling approximately \$7.1 million of common stock; and in July 2015, Roth acted as financial advisor to the Debtor in a rights offering of approximately \$4.9 million in common stock.

**Valuation of the Option/Warrants**

7. This Declaration sets forth my methodology for valuing the Warrants/Options and the assumptions used. I have also summarized the total value of the Warrants/Options; provided, however, that the value for each holder's Warrants/Options is set forth in Exhibit 1 attached hereto.

8. To value the Warrants/Options, I used the Black-Scholes-Merton model, also known just as the Black-Scholes model. The Black-Scholes model is a pricing model customarily used in the market to determine the fair price or theoretical value for a call or a put option based on a number of variables, such as the underlying stock price of the company stock, the strike price of the security, the time to maturity, the volatility of the relevant stock, and the risk-free rate. In valuing each Warrant/Option, I used the following information and made the following assumptions:

- (a) For the stock price, I used the closing price of the Debtor's common stock on the Petition Date, August 11, 2017.
- (b) For the time to maturity, I calculated the number of years rounded to the second decimal from August 11, 2017 to the maturity date of each Warrant/Option.
- (c) For the volatility, I used the 12-month historical volatility of the Debtor's common stock from August 11, 2016 to August 11, 2017, which equated into a volatility of 106.2%.
- (d) For the risk-free rate, I used the U.S. Treasury yield corresponding to the term of each Warrant/Option; provided, that for Securities with terms of four, six or eight years, for which there is no corresponding U.S. Treasury yield, I used the U.S. Treasury yield corresponding to the shorter term.

- (e) Because warrants, unlike options, have a dilutive effect, the Black-Scholes value per warrant needs to be divided by  $(1 + q)$  where  $q$  is the ratio of warrants to outstanding shares, assuming each warrant is worth one share. Here,  $q$  equals 0.29.

9. Applying the foregoing assumptions and calculations to the Black-Sholes model for each Warrant/Option, the aggregate value for all Warrants/Options as of the Petition Date is \$23,665.09.

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I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 13, 2017 in San Ramon, California.



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Mitchell Truelock  
Managing Director

**EXHIBIT 1**

Stock Option Summary											
Name	ID	Number	Option Date	Expiration Date	Remaining Life In Years	Option Price	Shares Outstanding	Shares Exercisable	Value / Option	Total Value	
Crum, Melanie Gadberry	1598	P00242	05/27/2008	05/27/2018	0.79	\$29.95008	301	301	\$0.0024	\$0.74	
Brackett, Elliott	P0336	P00336	08/29/2008	08/29/2018	1.05	\$41.26456	225	225	\$0.0046	\$1.04	
Brackett, Elliott	P0336	P00346	10/31/2008	10/31/2018	1.22	\$24.62562	187	187	\$0.0294	\$5.51	
Brackett, Elliott	P0336	P00353	01/30/2009	01/30/2019	1.47	\$29.28452	307	307	\$0.0414	\$12.71	
Crum, Melanie Gadberry	1598	P00383	07/31/2009	07/31/2019	1.97	\$11.98004	28	28	\$0.2717	\$7.61	
Crum, Melanie Gadberry	1598	P00430	08/25/2010	08/25/2020	3.04	\$25.95674	128	128	\$0.3108	\$39.79	
Brackett, Elliott	P0336	P00518	10/31/2010	10/31/2020	3.22	\$79.86688	78	78	\$0.1397	\$10.91	
Huiskes, Frank	P0515	P00515	10/31/2010	10/31/2020	3.22	\$79.86688	150	150	\$0.1397	\$20.97	
Johns, Brad	P0516	P00516	10/31/2010	10/31/2020	3.22	\$79.86688	150	150	\$0.1397	\$20.97	
Turgeon, Anyck	P0514	P00514	10/31/2010	10/31/2020	3.22	\$79.86688	150	150	\$0.1397	\$20.97	
Greenberg, Daniel	P0532	P00532	01/31/2011	01/31/2021	3.48	\$66.55574	150	150	\$0.2015	\$30.23	
Brackett, Elliott	P0336	P00530	01/31/2011	01/31/2021	3.48	\$66.55574	94	94	\$0.2015	\$18.95	
Brackett, Elliott	P0336	P00544	04/29/2011	04/29/2021	3.72	\$91.84692	68	68	\$0.1850	\$12.59	
Faulhaber, Peter	P0546	P00546	06/30/2011	06/30/2021	3.89	\$79.86688	150	150	\$0.2309	\$34.64	
Brown, Robert	P0547	P00547	06/30/2011	06/30/2021	3.89	\$79.86688	150	150	\$0.2309	\$34.64	
Crum, Melanie Gadberry	1598	P00589	07/18/2011	07/18/2021	3.94	\$79.20134	120	120	\$0.2397	\$28.76	
Brackett, Elliott	P0336	P00594	07/29/2011	07/29/2021	3.97	\$119.80034	52	52	\$0.1791	\$9.32	
Brackett, Elliott	P0336	P00605	10/31/2011	10/31/2021	4.22	\$84.52580	74	74	\$0.2723	\$20.15	
Anderson, George	P0610	P00610	11/11/2011	11/11/2021	4.25	\$83.02828	150	150	\$0.2801	\$42.02	
Trumbo, David	P0609	P00609	11/11/2011	11/11/2021	4.25	\$83.02828	150	150	\$0.2801	\$42.02	
Brackett, Elliott	P0336	N00003	01/31/2012	01/31/2022	4.48	\$81.36440	77	77	\$0.3192	\$24.58	
Johns, Brad	P0516	N00002	01/31/2012	01/31/2022	4.48	\$81.36440	150	150	\$0.3192	\$47.89	
Liolis Group,	P0602	N00006	01/31/2012	01/31/2022	4.48	\$99.83362	180	180	\$0.2807	\$50.54	
Brackett, Elliott	P0336	N00016	04/30/2012	04/30/2022	4.72	\$98.50250	63	63	\$0.3190	\$20.10	
Brackett, Elliott	P0336	N00044	07/31/2012	07/31/2022	4.97	\$63.72712	98	98	\$0.4497	\$44.07	
Liolis Group,	P0602	N00053	08/31/2012	08/31/2022	5.06	\$66.22296	700	700	\$0.4557	\$319.02	
Brackett, Elliott	P0336	N00065	10/31/2012	10/31/2022	5.22	\$57.07154	110	110	\$0.5164	\$56.81	
Dahms, John	N00077	N00077	12/12/2012	12/12/2022	5.34	\$49.08486	517	517	\$0.5724	\$295.95	
Brackett, Elliott	P0336	N00088	04/30/2013	04/30/2023	5.72	\$39.26788	17	17	\$0.6898	\$11.73	
Dahms, John	N00077	N00166	06/13/2013	06/13/2023	5.84	\$34.94176	83	83	\$0.7383	\$61.28	
Crum, Melanie Gadberry	1598	N00104	06/13/2013	06/13/2023	5.84	\$34.94176	293	293	\$0.7383	\$216.31	
Brackett, Elliott	P0336	N00168	06/21/2013	06/21/2023	5.86	\$33.94342	43	43	\$0.7487	\$32.20	
Crum, Melanie Gadberry	1598	N00210	03/31/2014	03/31/2024	6.64	\$40.76540	120	97	\$0.8239	\$79.92	
Walsh, Edward	N00202	N00202	01/17/2014	07/17/2024	6.94	\$45.59068	601	563	\$0.8398	\$472.79	
Christian, Andree	N00295	N00295	09/17/2015	09/17/2025	8.11	\$26.80000	100	87	\$1.1061	\$96.24	
Crum, Melanie Gadberry	1598	N00272	09/17/2015	09/17/2025	8.11	\$26.80000	100	87	\$1.1061	\$96.24	
										<b>\$2,340.21</b>	

Warrant Summary

	No. of Warrants	Strike Price	Expiration Date	Modified Rate	Warrants After Rights Agreement	Warrants After reverse stock split	Strike Price After reverse stock split	Time to Maturity (Years)	Value per Warrant	Total Value
Dennis L. Adams	12,500	\$ 2.0000	3/28/18	1.2019	15,023	751	\$ 40.00	0.63	\$0.0001	\$0.10
Greg Berlachner	3,625	\$ 2.0000	3/28/18	1.2019	4,356	217	\$ 40.00	0.63	\$0.0001	\$0.03
Joseph D. Bound	12,500	\$ 2.0000	3/28/18	1.2019	15,023	751	\$ 40.00	0.63	\$0.0001	\$0.10
Hilltop Securities, Inc. FBO Elliott Brackett IRA	7,250	\$ 2.0000	3/28/18	1.2019	8,713	435	\$ 40.00	0.63	\$0.0001	\$0.06
OTA, LLC	125,000	\$ 2.0000	3/28/18	1.2019	150,237	7,511	\$ 40.00	0.63	\$0.0001	\$1.00
David Cerf	1,820	\$ 2.0000	3/28/18	1.2019	2,187	109	\$ 40.00	0.63	\$0.0001	\$0.02
Diker Value-Tech Fund QP	152,267	\$ 2.0000	3/28/18	1.2019	183,009	9,150	\$ 40.00	0.63	\$0.0001	\$1.21
Diker Mico Cap Fund LP	121,212	\$ 2.0000	3/28/18	1.2019	145,684	7,284	\$ 40.00	0.63	\$0.0001	\$0.97
Diker Value-Tech Fund LP	90,158	\$ 2.0000	3/28/18	1.2019	108,360	5,418	\$ 40.00	0.63	\$0.0001	\$0.72
Equity Trust Co. TTEE of the Amir L. Ecker IRA	100,000	\$ 2.0000	3/28/18	1.2019	120,190	6,009	\$ 40.00	0.63	\$0.0001	\$0.80
ACT Capital Management, LLLP	94,118	\$ 2.0000	3/28/18	1.2019	113,120	5,656	\$ 40.00	0.63	\$0.0001	\$0.75
Amir L. Ecker	90,000	\$ 2.0000	3/28/18	1.2019	108,171	5,408	\$ 40.00	0.63	\$0.0001	\$0.72
The Ecker Family Partnership	30,000	\$ 2.0000	3/28/18	1.2019	36,057	1,802	\$ 40.00	0.63	\$0.0001	\$0.24
Maria T. Ecker	30,000	\$ 2.0000	3/28/18	1.2019	36,057	1,802	\$ 40.00	0.63	\$0.0001	\$0.24
Carol Wittenbraker	12,500	\$ 2.0000	3/28/18	1.2019	15,023	751	\$ 40.00	0.63	\$0.0001	\$0.10
Equity Trust Co. TTEE of the Maria T. Ecker IRA	10,000	\$ 2.0000	3/28/18	1.2019	12,019	600	\$ 40.00	0.63	\$0.0001	\$0.08
Amir L. Ecker	6,195	\$ 2.0000	3/28/18	1.2019	7,445	372	\$ 40.00	0.63	\$0.0001	\$0.05
VFT Special Ventures, Ltd.	156,816	\$ 2.0000	3/28/18	1.2019	188,477	9,423	\$ 40.00	0.63	\$0.0001	\$1.25
James Allsopp	1,155	\$ 2.0000	3/28/18	1.2019	1,388	69	\$ 40.00	0.63	\$0.0001	\$0.01
Philadelphia Brokerage Corp	3,010	\$ 2.0000	3/28/18	1.2019	3,617	180	\$ 40.00	0.63	\$0.0001	\$0.03
Bruce Evans and Katherine Evans TBE	25,000	\$ 2.0000	3/28/18	1.2019	30,047	1,502	\$ 40.00	0.63	\$0.0001	\$0.20
Peter Faulhaber	5,000	\$ 2.0000	3/28/18	1.2019	6,009	300	\$ 40.00	0.63	\$0.0001	\$0.04
Daniel Greenberg	1,250	\$ 2.0000	3/28/18	1.2019	1,502	75	\$ 40.00	0.63	\$0.0001	\$0.01
Dave Houghton	6,000	\$ 2.0000	3/28/18	1.2019	7,211	360	\$ 40.00	0.63	\$0.0001	\$0.05
Phyllis D. Kalista	6,250	\$ 2.0000	3/28/18	1.2019	7,511	375	\$ 40.00	0.63	\$0.0001	\$0.05
Laurence D. Keller	5,000	\$ 2.0000	3/28/18	1.2019	6,009	300	\$ 40.00	0.63	\$0.0001	\$0.04
Gary Knutsen	12,000	\$ 2.0000	3/28/18	1.2019	14,422	721	\$ 40.00	0.63	\$0.0001	\$0.10
Mike Jones	242,000	\$ 2.0000	3/28/18	1.2019	290,859	14,542	\$ 40.00	0.63	\$0.0001	\$1.92
Mike Missal	24,250	\$ 2.0000	3/28/18	1.2019	29,146	1,457	\$ 40.00	0.63	\$0.0001	\$0.20
Stephen Saxon	24,250	\$ 2.0000	3/28/18	1.2019	29,146	1,457	\$ 40.00	0.63	\$0.0001	\$0.20
Charles H. Miller	18,000	\$ 2.0000	3/28/18	1.2019	21,634	1,081	\$ 40.00	0.63	\$0.0001	\$0.15
John Jack Lauroesch	16,000	\$ 2.0000	3/28/18	1.2019	19,230	961	\$ 40.00	0.63	\$0.0001	\$0.13
Virgil Balint	12,250	\$ 2.0000	3/28/18	1.2019	14,723	736	\$ 40.00	0.63	\$0.0001	\$0.10
Daniel Dranginis	6,100	\$ 2.0000	3/28/18	1.2019	7,331	366	\$ 40.00	0.63	\$0.0001	\$0.05
Nancy Everett & Michael Nannes	10,250	\$ 2.0000	3/28/18	1.2019	12,319	615	\$ 40.00	0.63	\$0.0001	\$0.09
Porter Partners LP	51,000	\$ 2.0000	3/28/18	1.2019	61,296	3,064	\$ 40.00	0.63	\$0.0001	\$0.41
EDJ Limited	9,000	\$ 2.0000	3/28/18	1.2019	10,817	540	\$ 40.00	0.63	\$0.0001	\$0.08
Jay Seid	6,000	\$ 2.0000	3/28/18	1.2019	7,211	360	\$ 40.00	0.63	\$0.0001	\$0.05
Robert Sims	1,820	\$ 2.0000	3/28/18	1.2019	2,187	109	\$ 40.00	0.63	\$0.0001	\$0.02
Peter Stanley	36,250	\$ 2.0000	3/28/18	1.2019	43,568	2,178	\$ 40.00	0.63	\$0.0001	\$0.29
Mark Stubits	50,000	\$ 2.0000	3/28/18	1.2019	60,095	3,004	\$ 40.00	0.63	\$0.0001	\$0.40
John M. Tilney	37,500	\$ 2.0000	3/28/18	1.2019	45,071	2,253	\$ 40.00	0.63	\$0.0001	\$0.30
Wolverine Flagship Trading Fund Limited	363,750	\$ 2.0000	3/28/18	1.2019	437,191	21,859	\$ 40.00	0.63	\$0.0001	\$2.89
Diker Micro Cap Fund LP	44,316	\$ 2.4600	3/28/19	1.2019	53,263	2,663	\$ 49.20	1.63	\$0.0192	\$51.09
Diker Value-Tech Fund LP	13,627	\$ 2.4600	3/28/19	1.2019	16,378	818	\$ 49.20	1.63	\$0.0192	\$15.70
Diker Value-Tech QP Fund LP	19,610	\$ 2.4600	3/28/19	1.2019	23,569	1,178	\$ 49.20	1.63	\$0.0192	\$22.60



**Warrant Summary**

	No. of Warrants	Strike Price	Expiration Date	Modified Rate	Warrants After Rights Agreement	Warrants After reverse stock split	Strike Price After reverse stock split	Time to Maturity (Years)	Value per Warrant	Total Value
Lone Star Value Investors, LP	644,176	\$ 2.4600	3/28/19	1.2019	774,235	38,710	\$ 49.20	1.63	\$0.0192	\$742.60
Stanford C. Finney, Jr. Revocable Living Trust, Marie Claire Finney TTEE	221,582	\$ 2.4600	3/28/19	1.2019	266,319	13,315	\$ 49.20	1.63	\$0.0192	\$255.44
Pergament Advisors, LLC	50,000	\$ 2.3500	4/4/19	1.2019	60,095	3,004	\$ 47.00	1.65	\$0.0218	\$65.55
Anson Investment Master Fund LP	25,000	\$ 2.7600	1/30/20	1.2019	30,047	1,502	\$ 55.20	2.47	\$0.0718	\$107.78
Dane Capital Fund, LP	25,000	\$ 2.7600	1/30/20	1.2019	30,047	1,502	\$ 55.20	2.47	\$0.0718	\$107.78
EDJ Limited	11,250	\$ 2.7600	1/30/20	1.2019	13,521	676	\$ 55.20	2.47	\$0.0718	\$48.51
Hilton Capital Managment, LLC	53,804	\$ 2.7600	1/30/20	1.2019	64,667	3,233	\$ 55.20	2.47	\$0.0718	\$231.98
Hoak Public Equities, L.P.	225,000	\$ 2.7600	1/30/20	1.2019	270,427	13,521	\$ 55.20	2.47	\$0.0718	\$970.18
Iroquois Master Fund Limited	12,500	\$ 2.7600	1/30/20	1.2019	15,023	751	\$ 55.20	2.47	\$0.0718	\$53.89
Kingsbrook Opportunities Master Fund	25,000	\$ 2.7600	1/30/20	1.2019	30,047	1,502	\$ 55.20	2.47	\$0.0718	\$107.78
Lone Star Value Investors, LP	175,000	\$ 2.7600	1/30/20	1.2019	210,332	10,516	\$ 55.20	2.47	\$0.0718	\$754.56
OTA, LLC	55,000	\$ 2.7600	1/30/20	1.2019	66,104	3,305	\$ 55.20	2.47	\$0.0718	\$237.15
MSD Capital, L.P.	412,500	\$ 2.7600	1/30/20	1.2019	495,783	24,789	\$ 55.20	2.47	\$0.0718	\$1,778.69
Nicoya Fund LLC	20,000	\$ 2.7600	1/30/20	1.2019	24,038	1,201	\$ 55.20	2.47	\$0.0718	\$86.18
Northland Capital Markets	87,501	\$ 2.7600	1/30/20	1.2019	105,167	5,257	\$ 55.20	2.47	\$0.0718	\$377.21
Park West Investors Master Fund, Limited	63,556	\$ 2.7600	1/30/20	1.2019	76,387	3,819	\$ 55.20	2.47	\$0.0718	\$274.03
Park West Partners International, Limited	11,444	\$ 2.7600	1/30/20	1.2019	13,754	687	\$ 55.20	2.47	\$0.0718	\$49.30
Pergament Advisors, LLC	100,000	\$ 2.7600	1/30/20	1.2019	120,190	6,009	\$ 55.20	2.47	\$0.0718	\$431.17
Porter Partners, L.P.	63,750	\$ 2.7600	1/30/20	1.2019	76,621	3,831	\$ 55.20	2.47	\$0.0718	\$274.89
Southwell Capital, LP	50,000	\$ 2.7600	1/30/20	1.2019	60,095	3,004	\$ 55.20	2.47	\$0.0718	\$215.55
Rafferty Holdings LLC	108,696	\$ 2.7600	1/30/20	1.2019	130,641	6,532	\$ 55.20	2.47	\$0.0718	\$468.70
CF DB EZ LLC	1,454,545	\$ 2.0625	7/22/20	1.2019	1,748,217	87,410	\$ 41.25	2.95	\$0.1554	\$13,580.32
<b>TOTALS</b>	<b>6,001,903</b>				<b>7,213,658</b>	<b>360,648</b>				<b>\$21,324.88</b>