

EXHIBIT 2

LOAN AGREEMENT

THIS LOAN AGREEMENT (this “*Agreement*”) dated as of [_____], 2017, is executed by and between 210/CRDS INVESTMENT, LLC, a Texas limited liability company (“*Lender*”), and CROSSROADS SYSTEMS, INC., a Delaware corporation (“*Borrower*”).

In consideration of the Loans described below and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, Lender and Borrower agree as follows:

1. DEFINITIONS AND REFERENCE TERMS. In addition to any other terms defined herein, the following terms shall have the meaning set forth with respect thereto:

A. “*Acquisition*” means any transaction, or series of related transactions, consummated on or after the date hereof, by which Borrower or any of its Subsidiaries directly or indirectly (a) acquires all or a portion of the assets of any entity, whether through a merger, stock exchange, asset acquisition, stock purchase, reorganization or similar business combination transaction with one or more businesses; *provided, however*, that any such stock purchase shall involve the purchase of at least a majority (in number of votes) of the stock of such entity, or (b) acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the equity securities (or other similar ownership interests) of any entity.

B. “*Benefit Plan*” has the meaning set forth in *Section 4.M*.

C. “*Business Day*” means any day other than a Saturday, Sunday, or day on which national banks are authorized to be closed under the laws of the State of Texas.

D. “*Chapter 11 Case*” has the meaning set forth in the Securities Purchase Agreement.

E. “*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations, rules, and other authoritative guidance issued thereunder.

F. “*Debtor Relief Laws*” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

G. “*Default*” means the occurrence of any event or existence of any circumstance which, with the giving of notice or lapse of time or both, would become an Event of Default.

H. “*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, or any successor law, and the regulations rules, and other authoritative guidance issued thereunder.

I. “*Event of Default*” has the meaning set forth in *Section 7*.

J. “*GAAP*” means those generally accepted accounting principles and practices, applied on a consistent basis, which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board and the Financial Accounting

Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question.

K. “**Hazardous Materials**” means all materials defined as hazardous materials or substances under any local, state or federal environmental laws, rules or regulations, and petroleum, petroleum products, oil and asbestos.

L. “**Loan Documents**” means this Agreement and any and all promissory notes executed by Borrower in favor of Lender and all other documents, instruments, security agreements, pledge agreements, guarantees, certificates and other agreements executed and/or delivered by Borrower, any guarantor or third party in connection with the Loans (including, for the avoidance of doubt, the Securities Purchase Agreement).

M. “**Material Adverse Effect**” means: (a) a material adverse effect upon the operations, performance, business, properties, prospects, condition (financial or otherwise) or results of operations of Borrower and its Subsidiaries taken as a whole; (b) an impairment of the ability of Borrower to perform its obligations under any Loan Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any provision of any Loan Document.

N. “**Permitted Acquisition**” means an Acquisition with respect to which each of the following conditions has been satisfied:

(i) as of the closing date of such Acquisition, such Acquisition has been approved and recommended by the board of directors or other applicable governing body of the Target and the entity from which the Target is to be acquired;

(ii) as of the closing date of such Acquisition, after giving effect to such Acquisition, no Default or Event of Default shall exist or occur as a result of such Acquisition;

(iii) at least thirty (30) days prior to the closing date of such Acquisition, Borrower shall have provided Lender with notice of such proposed Acquisition together with an executed term sheet and/or letter of intent (setting forth in reasonable detail the terms and conditions of such Acquisition);

(iv) Lender shall have received and be reasonably satisfied with (A) such information and documents that Lender may request with respect to such Acquisition including, without limitation, executed counterparts of the respective agreements, documents or instruments pursuant to which such Acquisition is to be consummated, any schedules to such agreements, documents or instruments and all other material ancillary agreements, instruments and documents to be executed or delivered in connection therewith, (B) current financial statements and historical operating information on the Target, (C) a pro-forma balance sheet of Borrower and its Subsidiaries after giving effect to the Acquisition, and (D) copies of the results of Borrower’s due diligence with respect to the Target;

(v) Lender has approved such Acquisition in its sole discretion; and

(vi) all conditions to the Acquisition have been satisfied and the agreement relating to the Acquisition is still in full force and effect.

O. “*Securities Purchase Agreement*” means that certain Securities Purchase Agreement by and between Lender and Borrower dated as of [_____], 2017.

P. “*Subsidiary*” means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Borrower.

Q. “*Target*” means a company to be acquired or whose assets are being acquired.

2. **LOANS.** Lender hereby agrees to make one or more loans (each, a “*Loan*”, and collectively, the “*Loans*”) between the date hereof and [_____], 2022 to Borrower; *provided that* the aggregate principal amount of all Loans at any time outstanding shall not exceed \$10,000,000 (plus the amount of PIK Interest (as defined in the Note defined below) added to the Note as principal from time to time in accordance with the terms of the Note). Borrower shall request a Loan by submitting to Lender an irrevocable notice in form and substance satisfactory to Lender. Each such notice must be received by Lender no later than 10:00 a.m. (Dallas, Texas time) at least ten (10) days prior to the date on which such notice requests the Loan to be made (the “*Loan Date*”). Lender shall, subject to satisfaction of all conditions set forth herein, make proceeds of such requested Loan available to Borrower no later than 2:00 p.m. (Dallas, Texas time) on the Loan Date. The obligation to repay the Loans is evidenced by that certain Promissory Note dated as of the date hereof, executed by Borrower and payable to the order of Lender in the original principal amount of \$10,000,000 (together with all renewals, extensions or rearrangements thereof, the “*Note*”). All terms governing the repayment, interest rate and maturity date of the Loans shall be as set forth in the Note.

3. **CONDITIONS PRECEDENT.**

A. The effectiveness of this Agreement is subject to the conditions precedent that Lender shall have received the following items in form and substance acceptable to Lender in its sole discretion:

- (i) an executed copy of this Agreement;
- (ii) an executed copy of the Note;
- (iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of an officer of Borrower as Lender may reasonably require evidencing the identity, authority and capacity of each officer thereof authorized to act as an officer in connection with this Agreement and the other Loan Documents;
- (iv) such documents and certifications as Lender may reasonably require to evidence that Borrower is duly organized or formed, and that Borrower is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;
- (v) a certificate signed by an officer of Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and

performance by Borrower and the validity against Borrower of the Loan Documents, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required; and

(vi) evidence that Borrower is in compliance with the insurance requirements of **Section 5.B**.

B. The obligation of Lender to make the initial Loan hereunder is subject to the conditions precedent that, as of the date of such initial Loan, Lender shall have received the following items in form and substance acceptable to Lender in its sole discretion:

(i) a security agreement executed by Borrower and its Subsidiaries in favor of Lender (the "**Security Agreement**") covering all personal property assets of Borrower and its Subsidiaries;

(ii) an intellectual property security agreement, subject to the restrictions in the Borrower's agreements with KIP CR P1, LP, executed by Borrower and its Subsidiaries in favor of Lender;

(iii) lien searches in the name of Borrower and its Subsidiaries in the applicable jurisdictions of incorporation and each state or jurisdiction where Borrower or any of its Subsidiaries maintains an office or has real property, showing no financing statements, tax liens, judgment liens or other lien instruments of record except for liens being released on the date hereof;

(iv) searches in the name of Borrower and its Subsidiaries with the United States Patent and Trademark Office and the United States Copyright Office;

(v) UCC-1 financing statement(s) in form appropriate for filing under the Uniform Commercial Code of all jurisdictions that Lender may deem necessary or desirable in order to perfect the liens created under the Security Agreement, covering the collateral described in the Security Agreement; and

(vi) if requested by Lender, a landlord lien waiver executed by each landlord, in form and substance reasonably acceptable to Lender, for all real property leased by Borrower or any of its Subsidiaries.

C. The obligation of Lender to make each Loan hereunder (including the initial Loan) is subject to the additional conditions precedent that:

(i) the representations and warranties of Borrower and its Subsidiaries contained in **Section 4** or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Loan;

(ii) the covenants of Borrower and its Subsidiaries contained in any Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Loan;

(iii) no Default or Event of Default shall exist, or would result from such Loan or from the application of the proceeds thereof;

(iv) Lender shall have determined in its sole discretion that the Loan will be treated as debt and not as equity for federal income tax purposes;

(v) Borrower has not had an “ownership change” (as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “*Tax Code*”)) to which Section 382(a) of the Tax Code applies;

(vi) no event or circumstance that could have a Material Adverse Effect has occurred since the date of this Agreement; and

(vii) the sum of the outstanding principal amount of all Loans (excluding PIK Interest added to the Note as principal from time to time in accordance with the terms of the Note) shall not exceed \$10,000,000 after giving effect to such Loan.

4. **REPRESENTATIONS AND WARRANTIES.** Borrower hereby represents and warrants to Lender as follows:

A. **Good Standing.** Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which it does business, including the State of Texas.

B. **Authority and Compliance.** Borrower has full power and authority to execute and deliver the Loan Documents and to incur and perform the obligations provided for therein, all of which have been duly authorized by all proper and necessary action of the appropriate governing body of Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of any Loan Document, and Borrower is in compliance with all laws and regulatory requirements to which it is subject.

C. **No Event of Default.** No Default or Event of Default exists.

D. **Binding Agreement.** This Agreement and the other Loan Documents executed by Borrower constitute valid and legally binding obligations of Borrower, enforceable in accordance with their terms.

E. **Litigation.** Except as described in the Borrower’s publicly filed documents, there is no proceeding involving Borrower, pending or, to the knowledge of Borrower, threatened before any court or governmental authority, agency or arbitration authority, other than the Chapter 11 Case.

F. **No Conflicting Agreements.** There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on Borrower or affecting Borrower’s property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement and the other Loan Documents.

G. **Ownership of Assets.** Borrower, directly or indirectly through its limited partnership interest in KIP CR P1, LP, has good title to its assets, and its assets are free and clear of liens, except Permitted Liens (defined below).

H. **Taxes.** All taxes and assessments due and payable by Borrower have been paid or are being contested in good faith by appropriate proceedings and Borrower has filed all tax returns which it is required to file.

I. **Material Adverse Change.** The financial statements of Borrower delivered to Lender have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved and fairly present Borrower's financial condition, including all material contingent liabilities as of the date or dates thereof, and there has been no material adverse change in the financial condition or operations of Borrower since April 30, 2017. All factual information furnished by Borrower to Lender in connection with this Agreement and any other Loan Document executed in connection with this Agreement was accurate and complete on the date on which such information was delivered to Lender and was not incomplete by the omission of any material fact necessary to make such information not misleading.

J. **Place of Business.** Borrower's place of business (or, if Borrower has more than one place of business, its chief executive office) is located at the address listed in **Section 9**.

K. **Environmental.** The conduct of Borrower's business operations and the condition of Borrower's property does not violate any federal laws, rules or ordinances for environmental protection, regulations of the Environmental Protection Agency, any applicable local or state law, rule, regulation or rule of common law or any judicial interpretation thereof relating primarily to the environment or Hazardous Materials.

L. **Anti-Corruption Laws.** Borrower and its Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions, and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws. Neither Borrower nor any director, officer, agent, employee or other person acting on behalf of Borrower is: (a) a person or entity that appears on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"); or (b) a person, country or entity with whom a U.S. person (as defined by the laws and regulations administered by OFAC, 31 C.F.R. Parts 500-598 (the "**OFAC Regulations**")) or a person subject to the jurisdiction of the United States (as defined by the OFAC Regulations) is otherwise prohibited from dealing under the OFAC Regulations (a "**Sanctions Target**"). Borrower is not, directly or indirectly, owned or controlled by, or under common control with, or, to the knowledge of Borrower, acting for the benefit of or on behalf of, any Sanctions Target. Borrower has not exported or re-exported any goods, commodities, technology or software in any manner that violates any applicable national or international export control statute, executive order, regulation, rule or sanction, including the OFAC Regulations, the United States Export Administration Regulations, 15 C.F.R. Parts 730-774, the International Traffic in Arms Regulations, 22 C.F.R. Part 120 et seq., the Export Administration Act, the International Emergency Economic Powers Act, the Trading with the Enemy Act, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability, and Divestment Act, the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA), or any OFAC Sanctions Program.

M. **Benefit Plans.** Each employee benefit plan, agreement, policy, practice, commitment, contract or understanding (whether qualified or unqualified, written or unwritten) that is sponsored, established, maintained, or contributed to or required to be contributed to by Borrower or for which Borrower has any liability, contingent or otherwise (each, a "**Benefit Plan**"), complies in all material respects, in both form and operation, with all applicable

requirements of ERISA, the Code, and any other applicable state or federal laws, and with the terms and provisions of the applicable plan document and all other related documents, policies, and funding arrangements, and Borrower has performed, in all material respects, each of its obligations under each Benefit Plan. Borrower has at no time prior to the date hereof sponsored, contributed to, or had an obligation to contribute to any plan subject to Title IV of ERISA or Section 412 of the Code, with respect to which Borrower would have any liability or that could result in a lien attaching to any of Borrower's assets. There are no pending, threatened, or potential claims under, related to, or arising out of any Benefit Plan by or on behalf of any person (other than ordinary claims for benefits submitted by participants or beneficiaries) or any governmental authority, and Borrower has no obligation under any Benefit Plan with respect to which Lender would have any liability or that could result in a lien attaching to any of Borrower's assets.

N. **Margin Regulations; Investment Company Act.** Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States of America), or extending credit for the purpose of purchasing or carrying margin stock. None of Borrower, any person or entity controlling Borrower, or any Subsidiary of Borrower is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

O. **Subsidiaries.** As of the date hereof, Borrower has no Subsidiaries other than those disclosed in the Borrower's publicly filed documents.

P. **Solvency.** At the time that each Loan is made hereunder and on the date of each Permitted Acquisition, Borrower and each of its Subsidiaries is (and after giving effect to the transactions contemplated by the Loan Documents, any Permitted Acquisition, and any incurrence of additional indebtedness, will be) solvent.

Q. **Purpose.** The proceeds of each Loan will be used solely to finance a Permitted Acquisition.

5. **AFFIRMATIVE COVENANTS.** So long as Lender has any obligation to make Loans hereunder and until full payment and performance of all obligations of Borrower under the Loan Documents:

A. **Financial Statements and Other Information.** Borrower will, and will cause each of its Subsidiaries to, maintain a system of accounting satisfactory to Lender and in accordance with GAAP applied on a consistent basis throughout the period involved; permit Lender's officers or authorized representatives to visit and inspect the properties of each Lender and examine, audit and make copies of Lender's books of account and other records at such reasonable times and as often as Lender may desire; and pay the reasonable fees and disbursements of any accountants or other agents of Lender selected by Lender for the foregoing purposes. Unless written notice of another location is given to Lender, Borrower's books and records will be located at Borrower's office, located at WeWork c/o Crossroads System, Inc., 11801 Domain Blvd, 3rd Floor, Austin, Texas 78758. If any of Borrower's properties, books or records are in the possession of a third party, Borrower authorizes that third party to permit Lender or its representatives to have access to perform inspections or audits and to respond to Lender's requests for information concerning such properties, books and records. All financial statements called for below will be prepared in form and content acceptable to Lender.

In addition, Borrower will provide to Lender the following:

(i) Within ninety (90) days following Borrower's fiscal year end, Borrower's annual consolidated financial statements, certified and dated by an authorized financial officer of Borrower. These financial statements must be audited (with an opinion reasonably satisfactory to Lender) by a Certified Public Accountant reasonably acceptable to Lender.

(ii) Within thirty (30) days following each calendar month's end (including the last calendar month in each fiscal year of Borrower), Borrower's monthly consolidated and consolidating financial statements, certified and dated by an authorized financial officer of Borrower. For the avoidance of doubt, these financial statements are not required to be audited or reviewed by a Certified Public Accountant.

(iii) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by Borrower to or from Borrower's auditor.

(iv) Copies of Borrower's federal income tax return, within fifteen (15) days following filing, and, if requested by Lender, copies of any extensions of the filing date.

(v) Promptly after the filing thereof, a true, correct, and complete copy of each Form 10-K, Form 10-Q, and Form 8-K, if any, filed by or on behalf of Borrower with the Securities and Exchange Commission ("SEC") (provided that, to the extent these documents are publicly available on the SEC's EDGAR site, they shall be deemed delivered to Lender in compliance with this Section).

(vi) Within the period(s) provided in (i) and (ii) above, a compliance certificate of Borrower, in the form attached hereto as *Exhibit A*, signed by an authorized financial officer of Borrower setting forth whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any Default or Event of Default and, if a Default or an Event of Default exists, specifying the nature thereof and the action Borrower is taking and proposes to take with respect thereto.

(vii) Promptly upon request, such additional information, reports and statements respecting the business operations and financial condition of Borrower from time to time as Lender may reasonably request.

B. Insurance. Borrower will, and will cause each of its Subsidiaries to, maintain insurance with responsible insurance companies on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity, specifically to include fire and extended coverage insurance covering all assets, business interruption insurance, workers' compensation insurance and liability insurance, all to be with such companies and in such amounts as are reasonably satisfactory to Lender.

C. Existence and Compliance. Borrower will, and will cause each of its Subsidiaries to, maintain its existence, good standing and qualification to do business, where required and comply with all laws, regulations and governmental requirements including, without limitation, environmental laws applicable to it or to any of its property, business operations and transactions.

D. **Costs, Expenses and Attorneys' Fees.** Borrower will pay to Lender immediately upon demand after Lender makes the initial Loan hereunder the full amount of all reasonable costs and expenses (including reasonable attorneys' fees) incurred by Lender in connection with (a) negotiation and preparation of this Agreement and each of the Loan Documents, and (b) all other reasonable costs and attorneys' fees incurred by Lender for which Borrower is obligated to reimburse Lender in accordance with the terms of the Loan Documents.

E. **Taxes and Other Obligations.** Borrower will, and will cause each of its Subsidiaries to, pay all of its taxes, assessments and other obligations, including, but not limited to taxes, costs or other expenses arising out of this transaction, as the same become due and payable, except to the extent the same are being contested in good faith by appropriate proceedings in a diligent manner and for which reserves in accordance with GAAP have been established.

F. **Maintenance.** Borrower will, and will cause each of its Subsidiaries to, maintain all of its tangible property in good condition and repair and make all necessary replacements thereof, and preserve and maintain all licenses, trademarks, privileges, permits, franchises, certificates and the like necessary for the operation of its business.

G. **Environmental Matters.** Borrower will, and will cause each of its Subsidiaries to, immediately advise Lender in writing of (i) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed or threatened pursuant to any applicable federal, state, or local laws, ordinances or regulations relating to any Hazardous Materials affecting Borrower's or any of its Subsidiaries' business operations; and (ii) all claims made or threatened by any third party against Borrower or any of its Subsidiaries relating to damages, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials. Borrower will immediately notify Lender of any remedial action taken by any Lender with respect to Borrower's and its Subsidiaries' business operations. Borrower agrees to permit Lender, its agents, contractors and employees to enter and inspect any of Borrower's and its Subsidiaries' places of business or any other property of Borrower and its Subsidiaries at any reasonable times upon three (3) days prior notice for the purposes of conducting an environmental investigation and audit (including taking physical samples) to insure that Borrower and its Subsidiaries are complying with this covenant and Borrower will reimburse Lender on demand for the costs of any such environmental investigation and audit. Borrower will provide Lender, its agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by Borrower's and its Subsidiaries' business operations within five (5) days of the request therefore.

H. **Anti-Corruption Laws.** Borrower will, and will cause each of its Subsidiaries to, conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions, and maintain policies and procedures designed to promote and achieve compliance with such laws.

I. **Benefit Plans.** Borrower will, and will cause each of its Subsidiaries and affiliates to, perform, in all material respects, its obligations under each Benefit Plan and to operate, administer, and maintain each Benefit Plan in compliance (both in form and operation) with all applicable requirements of ERISA, the Code, and any other applicable state or federal law, and with the terms and provisions of the applicable plan document and any other related documents, policies, and funding arrangements.

J. **Subsidiaries.** Borrower will, concurrently upon the formation or acquisition by any Subsidiary after the date hereof (an “*After-Acquired Subsidiary*”), cause such After-Acquired Subsidiary: (i) to execute a guaranty in favor of Lender; and (ii) to execute such Loan Documents as shall be required by Lender to create first priority liens (subject to Permitted Liens) in favor of Lender in such After-Acquired Subsidiary’s assets.

K. **Use of Proceeds.** Borrower will use the proceeds of each Loan solely to finance a Permitted Acquisition and to pay the costs and expenses described in **Section 5.D** above.

L. **Further Assurances.** Borrower will, and will cause each its Subsidiaries to, make, execute, and deliver or file or cause the same to be done, all such notices, additional agreements, mortgages, assignments, financing statements, or other assurances, and take any and all such other action, as Lender may, from time to time, deem reasonably necessary or proper in connection with any of the Loan Documents.

6. **NEGATIVE COVENANTS.** So long as Lender has any obligation to make Loans hereunder and until full payment and performance of all obligations of Borrower under the Loan Documents:

A. **Disposal of Assets Outside Ordinary Course of Business.** Borrower will not, and will not permit any of its Subsidiaries to, sell, assign, lease, transfer or otherwise dispose of any material part of its business or assets, except in the ordinary course of business.

B. **Liens.** Borrower will not, and will not permit any of its Subsidiaries to, grant, suffer or permit any new contractual or non-contractual lien on or security interest in its assets, except for Permitted Liens. For purposes hereof, “*Permitted Liens*” means (i) liens in favor of Lender to secure the Loans, (ii) pledges or deposits made to secure payment of worker’s compensation (or to participate in any fund in connection with worker’s compensation), unemployment insurance, pensions, or social security programs, (iii) liens imposed by mandatory provisions of law such as for materialmen’s, mechanic’s, warehousemen’s, and other like liens arising in the ordinary course of Borrower’s business, securing indebtedness whose payment is not yet due, (iv) liens for taxes imposed upon a person or upon such person’s income, profits, or property, if the same are not yet due and payable or if the same are being contested in good faith and as to which adequate reserves are maintained in accordance with GAAP, (v) good faith deposits in connection with leases, real estate bids or contracts (other than contracts involving the borrowing of money), pledges or deposits to secure (or in lieu of) surety, stay, appeal, or customs bonds and deposits to secure the payment of taxes, assessments, customs, duties, or other similar charges, (vi) encumbrances consisting of zoning restrictions, easements, or other restrictions on the use of real property, provided that such encumbrances do not impair the use of such property for the uses intended, and none of which is violated by existing or proposed structures or land use, and (vii) liens securing indebtedness permitted pursuant to **Section 6.C** below approved in writing by Lender in its sole discretion.

C. **Borrowings.** Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or become liable in any manner for any indebtedness (for borrowed money, deferred payment for the purchase of assets, swap or derivative obligations, lease payments, as surety or guarantor for the debt for another, or otherwise) other than (i) indebtedness to Lender, (ii) normal trade debts incurred in the ordinary course of Borrower’s and its Subsidiaries’ business and (iii) other indebtedness incurred to finance a Permitted Acquisition and approved in writing by Lender in its sole discretion.

D. **Character of Business.** Borrower will not, and will not permit any of its Subsidiaries to, change the general character of business as conducted at the date hereof, or engage in any type of business not reasonably related to its business as presently conducted, except for such changes or engagements resulting directly from a Permitted Acquisition.

E. **Change of Management.** Borrower will not, and will not permit any of its Subsidiaries to, make any substantial change in its present executive or management personnel.

F. **Suspend Business.** Borrower will not, and will not permit any of its Subsidiaries to, voluntarily liquidate, dissolve or suspend its business.

G. **Negative Pledge Agreements.** Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement (excluding (i) this Agreement, (ii) any other Loan Document, (iii) the Securities Purchase Agreement, and (iv) any other agreement evidencing indebtedness permitted hereunder and approved in writing by Lender in its sole discretion) prohibiting the creation or assumption of any lien upon any of its property, revenues, or assets, whether now owned or hereafter acquired, or the ability of any Subsidiary of Borrower to make any payments, directly or indirectly, to Borrower by way of dividends, advances, repayments of loans, repayments of expenses, accruals, or otherwise.

H. **Restricted Payments.** Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly declare or make, or incur any liability to make, any dividend, distribution or redemption in respect of its equity interests; *provided, however*, that Subsidiaries of Borrower may make distributions to Borrower.

I. **Certain Transactions.** Borrower will not, and will not permit any of its Subsidiaries to, enter into any transaction with, or pay any management fees to, any affiliate; *provided, however*, that Borrower and its Subsidiaries may enter into transactions with affiliates upon terms not less favorable to Borrower than would be obtainable at the time in comparable, arm's length transactions with persons other than affiliates.

J. **Fundamental Changes.** Borrower will not, and will not permit any of its Subsidiaries to, become a party to any merger or consolidation, or acquire by purchase, lease, or otherwise all or substantially all of the assets or stock of any person (other than pursuant to a Permitted Acquisition), or sell, transfer, lease, or otherwise dispose of all or any substantial part of its property or assets or business.

K. **Investments.** Borrower will not, and will not permit any of its Subsidiaries to, make or have outstanding any investments in any person, except for (i) Subsidiaries formed or acquired pursuant to a Permitted Acquisition and (ii) "*cash equivalent*" investments as Lender may from time to time approve in writing.

L. **Benefit Plans.** Borrower will not, and will not permit any of its Subsidiaries or affiliates to, create or incur any liability under any employee benefit plan or other plan maintained by Borrower or any Subsidiary or affiliate that would be subject to Title IV of ERISA or the minimum funding standards under the Code.

M. **Anti-Corruption Laws.** Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly use the proceeds of the Loans for any purpose which would

breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions.

N. **Environmental.** Borrower will not, and will not permit any of its Subsidiaries to, use or permit any other party to use any Hazardous Materials at any of Borrower's or any of its Subsidiaries' places of business or at any other property owned by Borrower or any of its Subsidiaries except such materials as are incidental to Borrower's and its Subsidiaries' normal course of business, maintenance and repairs and which are handled in compliance with all applicable environmental laws.

7. **DEFAULT.** Any of the following shall constitute an Event of Default (each, an "***Event of Default***"):

A. **Non-Payment.** Borrower fails to pay, when due, any principal, interest or other amount payable hereunder or under any other Loan Document; or

B. **Covenants.** Borrower fails to perform or observe any term, covenant or agreement contained herein or any other Loan Document; or

C. **Representations and Warranties.** Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading when made or deemed made; or

D. **Cross-Default.** Borrower or any Subsidiary (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any indebtedness or guarantee (other than indebtedness hereunder) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$10,000, or (ii) fails to observe or perform any other agreement or condition relating to any such indebtedness or guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such indebtedness or the beneficiary or beneficiaries of such guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such indebtedness to be made, prior to its stated maturity, or such guarantee to become payable or cash collateral in respect thereof to be demanded; or

E. **Insolvency Proceedings, Etc.** Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such person and the appointment continues undischarged or unstayed for sixty (60) days; or any proceeding under any Debtor Relief Law relating to any such person or to all or any material part of its property is instituted without the consent of such person and continues undismissed or unstayed for sixty (60) days, or an order for relief is entered in any such proceeding, other than in connection with the Chapter 11 Case; or

F. **Inability to Pay Debts; Attachment.** (i) Borrower or any of its Subsidiaries becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such person and is not released, vacated or fully bonded within thirty (30) days after its issue or levy; or

G. **Judgments.** There is entered against Borrower or any of its Subsidiaries (i) one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding \$10,000, or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of ten (10) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

H. **Invalidity of Loan Documents.** Any provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all obligations of Borrower under the Loan Documents, ceases to be in full force and effect; or any person contests in any manner the validity or enforceability of any provision of any Loan Document; or Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document; or

I. **Change of Control.** The occurrence of any event or series of events by which:

(i) other than by Lender and its affiliates, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its Subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of twenty percent (20%) or more of the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(ii) Borrower merges into or consolidates with any other person, or any person merges into or consolidates with Borrower and, after giving effect to such transaction, the stockholders of Borrower immediately prior to such transaction own less than 80% of the aggregate voting power of Borrower or the successor entity of such transaction;

(iii) Borrower sells or transfers all or substantially all of its assets to another person and the stockholders of Borrower immediately prior to such transaction own less than 80% of the aggregate voting power of the acquiring entity immediately after the transaction;

(iv) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (A) who were members of that board or equivalent governing

body on the first (1st) day of such period, (B) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in *clause (A)* above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (C) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in *clauses (A)* and *(B)* above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body;

(v) the passage of thirty (30) days from the date upon which any person or two or more persons acting in concert (other than Lender and its affiliates) shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Borrower, or control over the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right) representing twenty percent (20%) or more of the combined voting power of such securities; or

(vi) the execution by Borrower of an agreement to which Borrower is a party or by which it is bound, providing for any of the events set forth in clauses (i) through (v) above; or

J. **Material Adverse Effect.** There occurs any event or circumstance that could reasonably be expected to have a Material Adverse Effect.

8. REMEDIES UPON DEFAULT. If an Event of Default shall occur, Lender shall have all rights, powers and remedies available under each of the Loan Documents as well as all rights and remedies available at law or in equity, including but not limited to, the right to declare Borrower in default and require Borrower to repay Borrower's entire debt immediately and without prior notice. Upon the occurrence of an actual or deemed entry of an order for relief with respect to Borrower under the Bankruptcy Code of the United States of America, other than in connection with the Chapter 11 Case, the unpaid principal amount of the Loans and all interest and other amounts shall automatically become due and payable without further act of Lender.

9. NOTICES. All notices, requests or demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to the other party at the following address:

Borrower:
WeWork
c/o Crossroads Systems, Inc.
11801 Domain Blvd., 3rd Floor
Austin, Texas 78758

Lender:
210/CRDS Investment, LLC
8214 Westchester Drive, Suite 950 Dallas,
Texas 75225

or to such other address as any party may designate by written notice to the other party. Each such notice, request and demand shall be deemed given or made as follows:

- A. If sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid;
- B. If sent by any other means, upon delivery.

10. MISCELLANEOUS. Borrower and Lender further covenant and agree as follows, without limiting any requirement of any other Loan Document:

A. **Cumulative Rights and No Waiver.** Each and every right granted to Lender under any Loan Document, or allowed it by law or equity shall be cumulative of each other and may be exercised in addition to any and all other rights of Lender, and no delay in exercising any right shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right preclude any other or future exercise thereof or the exercise of any other right. Borrower expressly waives any presentment, demand, protest, notice of demand, notice of protest, notice of nonpayment, notice of dishonor or other notice of any kind, including but not limited to notice of intent to accelerate and notice of acceleration. No notice to or demand on Borrower in any case shall, of itself, entitle Borrower to any other or future notice or demand in similar or other circumstances.

B. **Applicable Law.** This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted in accordance with the laws of Texas and applicable United States federal law.

C. **Amendment.** No modification, consent, amendment or waiver of any provision of this Agreement, nor consent to any departure by Borrower therefrom, shall be effective unless the same shall be in writing and signed by an officer of Lender, and then shall be effective only in the specified instance and for the purpose for which given. This Agreement is binding upon Borrower, their successors and assigns, and inures to the benefit of Lender its successors and assigns; however, no assignment or other transfer of Borrower's rights or obligations hereunder shall be made or be effective without Lender's prior written consent, nor shall it relieve Borrower of any obligations hereunder. There is no third party beneficiary of this Agreement.

D. **Documents.** All documents, certificates and other items required under this Agreement to be executed and/or delivered to Lender shall be in form and content satisfactory to Lender and its counsel.

E. **Partial Invalidity.** The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of any Loan Document to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

F. **Indemnification.** Borrower shall indemnify, defend and hold Lender and its successors and assigns harmless from and against any and all claims, demands, suits, losses, damages, assessments, fines, penalties, costs or other expenses (including reasonable attorneys' fees and court costs) arising from or in any way related to any of the transactions contemplated hereby, including, but not limited to, actual or threatened damage to the environment, agency costs of investigation, personal injury or death, or property damage, due to a release or alleged release of Hazardous Materials, arising from Borrower's business operations, any other property owned by Borrower or in the surface or ground water arising from Borrower's business

operations, or gaseous emissions arising from Borrower's business operations or any other condition existing or arising from Borrower's business operations resulting from the use or existence of Hazardous Materials, **WHETHER SUCH CLAIM PROVES TO BE TRUE OR FALSE AND IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF LENDER OR ITS SUCCESSORS AND ASSIGNS.** Borrower further agrees that its indemnity obligations shall include, but are not limited to, liability for damages resulting from the personal injury or death of an employee of Borrower, regardless of whether Borrower has paid the employee under the workers' compensation laws of any state or other similar federal or state legislation for the protection of employees. The term "property damage" as used in this paragraph includes, but is not limited to, damage to any real or personal property of Borrower, Lender, and of any third parties. Borrower's obligations under this paragraph shall survive the repayment of the Loans and any deed in lieu of foreclosure or foreclosure of any deed to secure debt, deed of trust, security agreement or mortgage securing the Loans.

G. **Participations.** Lender shall have the right to enter into participation agreements with other lenders with respect to the Loan Documents and grant participations in the loan documents. Each actual or proposed participant shall be entitled to receive all information received by Lender regarding the creditworthiness of Borrower.

H. **Survivability.** All covenants, agreements, representations and warranties made herein or in the other Loan Documents shall survive the making of the Loans and shall continue in full force and effect so long as any Loan is outstanding.

I. **WAIVER OF JURY TRIAL.** THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF THE RESOLUTION OF ANY CONTROVERSIES OR CLAIMS BETWEEN BORROWER AND LENDER, WHETHER ARISING IN CONTRACT, TORT OR BY STATUTE, INCLUDING BUT NOT LIMITED TO CONTROVERSIES OR CLAIMS THAT ARISE OUT OF OR RELATE TO: (I) THIS AGREEMENT (INCLUDING ANY RENEWALS, EXTENSIONS OR MODIFICATIONS); OR (II) ANY DOCUMENT RELATED TO THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

J. **SUBMISSION TO JURISDICTION.** BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST LENDER OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF TEXAS SITTING IN DALLAS COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE NORTHERN DISTRICT OF TEXAS, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH TEXAS STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE

JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

K. **CONTROLLING DOCUMENT.** To the extent that this Agreement conflicts with or is in any way incompatible with any other Loan Document, the Note shall control over any other document, and if the Note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

L. **NO ORAL AGREEMENT.** THIS WRITTEN LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Page(s) Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed under seal by their duly authorized representatives as of the date first above written.

LENDER:

210/CRDS INVESTMENT, LLC

By: **210 Capital, LLC**,
a Delaware limited liability company,
the sole member

By: _____
Robert H. Alpert
Manager

By: _____
C. Clark Webb
Manager

BORROWER:

CROSSROADS SYSTEMS, INC.

By: _____
Name: []
Title: []

Exhibit A

Form of Compliance Certificate

[DATE]

Financial Statement Date: _____, _____

To: 210/CRDS Investment, LLC, as Lender

Ladies and Gentlemen:

Reference is made to that certain Loan Agreement, dated as of [____], 2017 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “**Agreement**,” the terms defined therein being used herein as therein defined), executed by and between 210/CRDS Investment, LLC, a Texas limited liability company (“**Lender**”), and Crossroads Systems, Inc., a Delaware corporation (“**Borrower**”).

The undersigned financial officer of Borrower hereby certifies as of the date hereof that he/she is the _____ of Borrower, and that, as such, he/she is authorized to execute and deliver this Compliance Certificate to Lender on behalf of Borrower, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. Borrower has delivered the year-end audited financial statements required by **Section 5.A(i)** of the Agreement for the fiscal year of Borrower ended as of the above financial statement date, together with the report and opinion of an independent certified public accountant reasonably acceptable to Lender required by such section.

[Use following paragraph 1 for calendar month-end financial statements]

1. Borrower has delivered the unaudited financial statements required by **Section 5.A(ii)** of the Agreement for the calendar month ended as of the above financial statement date. Such financial statements fairly present the financial condition, results of operations and cash flows of Borrower as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

[select one:]

2. [As of the date of the financial statements no Default or Event of Default existed under the Agreement and as of the date hereof no Default or Event of Default under the Agreement exists.]

--or--

2. [As of the date of the date hereof the following Defaults or Events of Default exist and for each such Default or Event of Default, Borrower is taking and proposes to take the following actions:

Default or Event of Default	Remedial Action
[]	[]

]

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of the date first written above.

BORROWER:

CROSSROADS SYSTEMS, INC.

By: _____
Name:
Title:

Promissory Note

Date: [____], 2017
 Amount \$10,000,000

<p>Lender:</p> <p>210/CRDS Investment, LLC 8214 Westchester Drive, Suite 950 Dallas, Texas 75225</p>	<p>Borrower:</p> <p>Crossroads Systems, Inc. 11000 North Mopac Expressway, Suite 150 Austin, Texas 78759</p>
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FOR VALUE RECEIVED, the undersigned Borrower unconditionally promises to pay to the order of Lender, its successors and assigns, without setoff, at its offices indicated at the beginning of this Promissory Note (this “**Note**”), or at such other place as may be designated by Lender, the lesser of (i) Ten Million Dollars (\$10,000,000) plus any PIK Interest (defined below), or (ii) the unpaid amount of Loans as may be advanced hereunder from time to time, in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder (including PIK Interest added to this Note as principal from time to time in accordance with the terms of this Note), at an annual interest rate, and in accordance with the payment schedule, indicated below.

This Note is executed in connection with that certain Loan Agreement dated the date hereof, by and between Borrower and Lender (as modified, amended, renewed, extended or restated from time to time, the “**Loan Agreement**”). Capitalized terms used, but not defined, herein shall have the meanings given to such terms in the Loan Agreement.

1. Rate. Subject to **Section 8** below, the interest rate is a rate per annum equal to ten percent (10%) if paid in cash and equal to twelve (12%) if paid in kind in accordance with **Section 2**. Interest will be calculated on the basis of actual number of days (including the first day but excluding the last day) elapsed but computed as if each calendar year consisted of 360 days (unless the calculation would result in an interest rate greater than the Maximum Rate (as defined in **Section 10** below), in which event interest will be calculated on the basis of a year of 365 or 366 days, as the case may be). All interest rate determinations and calculations by Lender are conclusive and binding absent manifest error.

2. Payment Schedule. The principal of and interest on each Loan shall be due and payable as follows:

(a) Interest shall be due and payable quarterly in arrears, commencing on the last Business Day of the calendar quarter following the making of such Loan, and thereafter, on last Business Day of each succeeding calendar quarter during the term of such Loan (each such date being an “**Interest Accrual Date**”) and on the date that is five (5) years after the making of such Loan (each, an “**Advance Maturity Date**”); and

(b) The entire unpaid principal balance of each Loan, and all accrued unpaid interest on such Loan shall be due and payable in full on the applicable Advance Maturity Date;

provided, however, that, on any Interest Accrual Date, Borrower may elect, in its discretion, that the amount of interest on this Note due on such Interest Accrual Date (“**PIK Interest**”) be paid by an automatic advance under this Note on such Interest Accrual Date in an amount equal to the amount of

such PIK Interest. PIK Interest shall be added to and become a part of the unpaid principal balance of this Note and shall bear interest as provided for herein. “**Business Day**” means any day other than a Saturday, Sunday, or day on which national banks are authorized to be closed under the laws of the State of Texas.

3. Revolving Feature. Subject to the terms and conditions set forth in the Loan Agreement, Borrower may borrow, repay and reborrow hereunder. Lender shall incur no liability for its refusal to advance funds based upon its determination that any conditions of such further advances have not been met. Lender’s records of the amounts borrowed from time to time hereunder shall be conclusive proof thereof.

4. Payments. All payments on the Note shall be made to Lender at its principal office at 8214 Westchester Drive, Suite 950, Dallas, Texas 75225 in federal or other immediately available funds. Payments shall be applied first to accrued interest and then to unpaid principal. If any payment is scheduled to become due and payable on a day which is not a Business Day, then such payment shall instead become due and payable on the immediately following Business Day and interest on the principal portion of such payment shall be payable at the then applicable rate during such extension.

5. Waivers, Consents and Covenants. Borrower, any indorser or guarantor hereof, or any other party hereto (individually an “**Obligor**” and collectively “**Obligors**”) and each of them jointly and severally: (a) waive presentment, demand, protest, notice of demand, notice of intent to accelerate, notice of acceleration of maturity, notice of protest, notice of nonpayment, notice of dishonor, and any other notice required to be given under the law to any Obligor in connection with the delivery, acceptance, performance, default or enforcement of this Note, any indorsement or guaranty of this Note, or any other documents executed in connection with this Note or any other Loan Document; (b) consent to all delays, extensions, renewals or other modifications of this Note or the Loan Documents, or waivers of any term hereof or of the Loan Documents, or release or discharge by Lender of any of Obligors, or release, substitution or exchange of any security for the payment hereof, or the failure to act on the part of Lender, or any indulgence shown by Lender (without notice to or further assent from any of Obligors), and agree that no such action, failure to act or failure to exercise any right or remedy by Lender shall in any way affect or impair the obligations of any Obligors or be construed as a waiver by Lender of, or otherwise affect, any of Lender’s rights under this Note, under any indorsement or guaranty of this Note or under any of the Loan Documents; and (c) agree to pay, on demand, all costs and expenses of collection or defense of this Note or of any indorsement or guaranty hereof and/or the enforcement or defense of Lender’s rights with respect to, or the administration, supervision, preservation, or protection of, or realization upon, any property securing payment hereof, including, without limitation, reasonable attorneys’ fees, including fees related to any suit, mediation or arbitration proceeding, out of court payment agreement, trial, appeal, bankruptcy proceedings or other proceeding, in such amount as may be determined reasonable by any arbitrator or court, whichever is applicable.

6. Prepayments. Borrower may make prepayments of principal in whole or in part at any time without premium or penalty. Any such prepayment shall be made together with payment of interest accrued on the amount of principal being prepaid through the date of such prepayment.

7. Events of Default. Any Event of Default under and as defined in the Loan Agreement shall be a default hereunder.

8. Remedies upon Default. Whenever there is a default under this Note (a) the entire balance outstanding hereunder and all other obligations of any Obligor to Lender (however acquired or evidenced) shall, at the option of Lender, become immediately due and payable and any obligation of Lender to permit further borrowing under this Note shall immediately cease and terminate, and/or (b) to the extent permitted by law, the rate of interest on the unpaid principal shall be increased at Lender’s discretion up to the Maximum Rate, or if none, eighteen percent (18%) per annum (the “**Default Rate**”). The provisions herein for a Default

Rate shall not be deemed to extend the time for any payment hereunder or to constitute a “grace period” giving Obligors a right to cure any default. At Lender’s option, any accrued and unpaid interest, fees or charges may, for purposes of computing and accruing interest on a daily basis after the due date of the Note or any installment thereof, be deemed to be a part of the principal balance, and interest shall accrue on a daily compounded basis after such date at the Default Rate provided in this Note until the entire outstanding balance of principal and interest is paid in full. Upon a default under this Note, Lender is hereby authorized at any time, at its option and without notice or demand, to set off and charge against any deposit accounts of any Obligor (as well as any money, instruments, securities, documents, chattel paper, credits, claims, demands, income and any other property, rights and interests of any Obligor), which at any time shall come into the possession or custody or under the control of Lender or any of its agents, affiliates or correspondents, any and all obligations due hereunder. Additionally, Lender shall have all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law or in equity.

9. Non-Waiver. The failure at any time of Lender to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Lender shall be cumulative and may be pursued singly, successively or together, at the option of Lender. The acceptance by Lender of any partial payment shall not constitute a waiver of any default or of any of Lender’s rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by Lender unless the same shall be in writing, duly signed on behalf of Lender; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Lender or the obligations of Obligors to Lender in any other respect at any other time.

10. Limitation. Notwithstanding any provision of this Note or any other agreement or commitment between Borrower and Lender, whether written or oral, express or implied, Lender shall never be entitled to charge, receive, or collect, nor shall amounts received hereunder be credited so that Lender shall be paid, as interest a sum greater than interest at the Maximum Rate. It is the intention of the parties that the Note, and all instruments securing the payment of the Note or executed or delivered in connection therewith, shall comply with applicable law. If Lender ever contracts for, charges, receives or collects anything of value which is deemed to be interest under applicable law, and if the occurrence of any circumstance or contingency, whether acceleration of maturity of the Note, prepayment of the Note, delay in advancing proceeds of the Note, or any other event, should cause such interest to exceed the maximum lawful amount, any amount which exceeds interest at the Maximum Rate shall be applied to the reduction of the unpaid principal balance of the Note or any other indebtedness owed to Lender by Borrower, and if the Note and such other indebtedness are paid in full, any remaining excess shall be paid to Borrower. In determining whether the interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire term of the Note until its payment in full. The term “*Maximum Rate*” as used in this Note means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby. To the extent, if any, that Chapter 303 of the Texas Finance Code, as amended, (the “*Act*”) is relevant to Lender for purposes of determining the Maximum Rate, the parties elect to determine the Maximum Rate under the Act pursuant to the “weekly ceiling” from time to time in effect, as referred to and defined in § 303.001-303.016 of the Act; subject, however, to any right Lender subsequently may have under applicable law to change the method of determining the Maximum Rate.

11. APPLICABLE LAW, VENUE AND JURISDICTION. BORROWER AGREES THAT THIS NOTE SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF TEXAS AT LENDER’S ADDRESS INDICATED AT THE BEGINNING OF THIS NOTE AND SHALL BE GOVERNED BY,

AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND IS PERFORMABLE IN DALLAS, DALLAS COUNTY, TEXAS. IN ANY LITIGATION IN CONNECTION WITH OR TO ENFORCE THIS NOTE OR ANY ENDORSEMENT OR GUARANTY OF THIS NOTE OR ANY LOAN DOCUMENTS, OBLIGORS, AND EACH OF THEM, IRREVOCABLY CONSENT TO AND CONFER PERSONAL JURISDICTION ON THE COURTS OF THE STATE OF TEXAS OR THE UNITED STATES COURTS LOCATED WITHIN THE STATE OF TEXAS. NOTHING CONTAINED HEREIN SHALL, HOWEVER, PREVENT LENDER FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS WITHIN ANY OTHER STATE OR JURISDICTION OR FROM OBTAINING PERSONAL JURISDICTION BY ANY OTHER MEANS AVAILABLE UNDER APPLICABLE LAW.

12. Partial Invalidity. The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of this Note or of the Loan Documents to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

13. Binding Effect. This Note shall be binding upon and inure to the benefit of Borrower, Obligors and Lender and their respective successors, assigns, heirs and personal representatives, provided, however, that no obligations of Borrower or Obligors hereunder can be assigned without prior written consent of Lender.

14. NOTICE OF FINAL AGREEMENT. THIS WRITTEN PROMISSORY NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally blank. Signature page follows.]

Borrower:

CROSSROADS SYSTEMS, INC.

By: _____
Name: []
Title: []

Lender:

210/CRDS INVESTMENT, LLC

By: 210 Capital, LLC,
a Delaware limited liability company,
the sole member

By: _____
Robert H. Alpert
Manager

By: _____
C. Clark Webb
Manager