



PRESS RELEASE

FOR IMMEDIATE RELEASE

Crossroads Systems Completes Reorganization and Reports Fiscal Third Quarter 2017 Financial Results

AUSTIN, Texas – October 4, 2017 – Crossroads Systems, Inc. (OTC Pink: CRDS), an intellectual property licensing company, reported that the conditions to effectiveness of the prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code, as amended and approved by the United States Bankruptcy Court, San Antonio, Texas, have occurred. The Plan Effective Date is October 3, 2017.

Key features of the plan include:

- 210/CRDS Investment LLC paid \$4 million for 1,492,285 shares of the company's new common stock, representing 49.5% of the outstanding new common shares.
- Crossroads paid holders of Series F Convertible Preferred Stock their pro rata share of \$2,672,233.78. They also received a pro rata share of 241,182 shares of new common stock, representing 8% of the outstanding new common shares. All shares of the preferred stock have been cancelled.
- Existing stockholders of Crossroads' 1,281,259 common shares, representing 42.5% of the company's new common stock, received one share of new common stock in exchange for each share of old stock. The exchange of shares is automatic and does not require stockholder action.
- As a result of the share issuances and exchanges, there are 3,014,726 new common shares outstanding and no other classes of equity or debt.
- All outstanding warrants, options, and restricted stock awards have been cancelled.
- A \$10 million line of credit with 210/CRDS Investment LLC is available to make acquisitions of profitable companies.
- Hannah Bible and Don Pearce have resigned from the Board of Directors and have been replaced by Robert Alpert and Clark Webb. Claire Gogel has been elected to the Board of Directors and Robert Alpert has been named Chairman of the Board. Richard Coleman and Robert Pearce remain on the Board.
- In connection with the restructuring, Crossroads Systems and Oracle Corporation have settled all outstanding claims against each other with prejudice.
- Crossroads Systems, Inc. trades on the OTC Pink Sheets under the symbol CRDS.
- As of October 3, 2017, Crossroads has no debt and a cash balance of approximately \$1.3 million.
- In addition to seeking profitable acquisitions, Crossroads will continue its patent monetization efforts. Until such time as the company can close an acquisition or succeed in monetizing its

patents, Crossroads expects to continue to operate at a loss.

Crossroads Systems also announced today financial results for its fiscal third quarter ended July 31, 2017 (Fiscal Q3 2017). On March 22, 2016, Crossroads sold its product business to Canadian-based StrongBox Data Solutions, Inc. The presentation of the company's quarterly financial results excludes product revenues and expenses, which are now reflected as discontinued operations in the prior periods.

Fiscal Q3 2017 Financial Results

Intellectual property ("IP") license revenue for the fiscal third quarter was \$19,000, compared to \$57,000 in the same quarter a year ago. Gross profit was \$14,000 or 74% of revenue, compared to \$34,000, or 60% of revenue, in the same quarter a year ago.

Fiscal Q3 2017 operating expenses decreased 35% to \$771,000, compared to \$1.2 million in the same period a year ago. The decreases were primarily due to reduced litigation and employee related expenses.

Fiscal Q3 2017 net loss available to common stockholders was \$(619,000) or \$(0.50) loss per share, compared to a net loss available to common stockholders of \$(481,000) or \$(0.39) loss per share in the same quarter a year ago.

At July 31, 2017, cash, cash equivalents and restricted cash totaled \$1.3 million compared to \$2.3 million at April 30, 2017.

Management Commentary

Richard K. Coleman, Jr., Executive Director at Crossroads Systems, said, "210/CRDS Investment LLC's \$4 million investment and \$10 Million financing commitment provide a strong foundation for an exciting future. In addition to continuing our patent monetization efforts, our near-term plan will be to identify and acquire a profitable business."

"We are excited about our investment in Crossroads Systems," said Robert Alpert, Managing Director of 210/CRDS Investment LLC and Chairman of the Board of Crossroads Systems. "We can now go about the business of monetizing the company's IP, growing the company's business, and creating shareholder value."

About Crossroads Systems

Crossroads Systems, Inc. (OTC Pink: CRDS) is an intellectual property licensing company headquartered in Austin, Texas. Founded in 1996 as a product solutions company, Crossroads created some of the storage industry's most fundamental patents and has licensed patents to more than 50 companies since 2000. Visit www.crossroads.com.

Important Cautions Regarding Forward-Looking Statements

This press release includes forward-looking statements that relate to the business and expected future events or future performance of Crossroads Systems, Inc. and involve known and unknown risks, uncertainties and other factors that may cause its actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," and similar expressions or phrases identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about

Crossroads Systems' ability to implement its business strategy, changes in the fair value of its derivative instruments and its ability to achieve or maintain profitability. The future performance of Crossroads Systems may be adversely affected by the following risks and uncertainties: variations in quarterly results, the ability to obtain, maintain or protect patent and other proprietary intellectual property rights, developments in litigation to which we may be a party, technological change in the industry, future capital requirements, regulatory actions or delays and other factors that may cause actual results to be materially different from those described or anticipated by these forward-looking statements. For a more detailed discussion of these factors and risks, investors should review Crossroads Systems' reports on Form 10-K, Form 10-Q, Form 8-K and other reports filed with the Securities and Exchange Commission, which can be accessed through the SEC's website or by clicking "SEC Filings" on the Company's Investor Relations website at <http://www.crossroads.com/investor-information>. Forward-looking statements in this press release are based on management's beliefs and opinions at the time the statements are made. All forward-looking statements are qualified in their entirety by this cautionary statement, and Crossroads Systems undertakes no duty to update this information to reflect future events, information or circumstances.

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CROSSROADS SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

ASSETS	July 31, 2017	October 31, 2016
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 1,302	\$ 2,634
Restricted cash	-	1,459
Total cash, cash equivalents and restricted cash.....	1,302	4,093
Accounts receivable	1,200	1,212
Prepaid expenses and other current assets	246	179
Total current assets	2,748	5,484
Other assets	78	120
Total assets	\$ 2,826	\$ 5,604

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 186	\$ 339
Accrued expenses	667	637
Deferred revenue	26	1,531
Total liabilities	879	2,507
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value, 25,000,000 shares authorized, 2,591,257 and 2,591,257 shares issued and outstanding, respectively.....	3	3
Common stock, \$0.001 par value, 75,000,000 shares authorized, 1,281,259 and 1,225,711 shares issued and outstanding, respectively.....	1	1
Additional paid-in capital	239,949	239,835
Accumulated deficit	(238,006)	(236,742)
Total stockholders' equity.....	1,947	3,097
Total liabilities and stockholders' equity.....	\$ 2,826	\$ 5,604

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2017	2016	2017	2016
Revenue:				
IP license, royalty and other revenue.....	\$ 19	\$ 57	\$ 54	\$ 477
Cost of revenue:				
IP license, royalty and other cost of revenue.....	5	23	10	122
Gross profit	14	34	44	355
Operating expenses:				
General and administrative	771	1,186	2,131	4,891
Total operating expenses	771	1,186	2,131	4,891
Loss from operations	(757)	(1,152)	(2,087)	(4,536)
Other expense:				
Other income.....	191	713	1,061	4,012
Loss from continuing operations.....	(566)	(439)	(1,026)	(524)
Income (loss) from discontinued operations.....	-	-	-	(41)
Net income (loss).....	<u>\$ (566)</u>	<u>\$ (439)</u>	<u>\$ (1,026)</u>	<u>\$ (565)</u>
Dividends attributable to preferred stock.....	\$ (53)	\$ (42)	\$ (150)	\$ (171)
Net loss available to common stockholders, basic and diluted.....	<u>\$ (619)</u>	<u>\$ (481)</u>	<u>\$ (1,176)</u>	<u>\$ (736)</u>
Earnings (loss) per share, basic and diluted:				
Discontinued operations.....	\$ -	\$ -	\$ -	\$ (0.03)
Continuing operations	\$ (0.50)	\$ (0.36)	\$ (0.95)	\$ (0.43)
Available to common stockholder.....	<u>\$ (0.50)</u>	<u>\$ (0.39)</u>	<u>\$ (0.95)</u>	<u>\$ (0.60)</u>
Weighted average number of common shares outstanding, basic and diluted.....	<u>1,244,428</u>	<u>1,225,472</u>	<u>1,232,018</u>	<u>1,244,801</u>

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

	Nine Months Ended July 31,	
	2017	2016
Cash flows from operating activities:		
Net loss.....	\$ (1,026)	\$ (565)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation from discontinued operations.....	-	69
Gain on sale of discontinued operations.....	-	(919)
Stock-based compensation.....	9	557
Provision for doubtful accounts receivable.....	-	(4)
Changes in assets and liabilities:		
Accounts receivable.....	12	641
Inventory.....	-	54
Prepaid expenses and other assets.....	(21)	62
Accounts payable.....	(154)	(1,310)
Accrued expenses.....	31	(737)
Deferred revenue.....	(1,506)	(5,300)
Net cash used in operating activities.....	<u>(2,655)</u>	<u>(7,452)</u>
Cash flows from investing activities:		
Purchase of property and equipment from discontinued operations.....	-	(28)
Proceeds from sale of discontinued operations.....	-	852
Net cash provided by investing activities.....	<u>-</u>	<u>824</u>
Cash flows from financing activities:		
Preferred dividends.....	(136)	(133)
Net cash used in financing activities.....	<u>(136)</u>	<u>(133)</u>
Effect of foreign exchange rate on cash and cash equivalents.....	-	(121)
Change in cash and cash equivalents.....	(2,791)	(6,882)
Cash, cash equivalents, and restricted cash beginning of period.....	4,093	11,792
Cash, cash equivalents, and restricted cash end of period.....	<u>\$ 1,302</u>	<u>\$ 4,910</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes.....	<u>\$ -</u>	<u>\$ 2</u>
Supplemental disclosure of non cash financing activities:		
Conversion of preferred stock to common stock.....	<u>\$ -</u>	<u>\$ 302</u>
Common stock dividends issued to preferred shareholders.....	<u>\$ 105</u>	<u>\$ 139</u>