



PRESS RELEASE

FOR IMMEDIATE RELEASE

Crossroads Systems Reports Fiscal Second Quarter 2017 Financial Results

AUSTIN, Texas – May 25, 2017 – Crossroads Systems, Inc. (NASDAQ: CRDS), an intellectual property licensing company, reported financial results for its fiscal second quarter ended April 30, 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 Q2 2017 Financial Results

Intellectual property ("IP") license revenue for the fiscal second quarter was \$16,000, compared to \$210,000 in the same quarter a year ago. Gross profit was \$14,000 or 88% of revenue, compared to \$161,000, or 77% of revenue, in the same quarter a year ago.

Fiscal Q2 2017 operating expenses decreased 63% to \$496,000, compared to \$1.4 million in the same period a year ago. The decreases were primarily due to reduced litigation and employee related expenses.

Fiscal Q2 2017 net loss available to common stockholders was \$(151,000) or \$(0.12) loss per share, compared to a net loss available to common stockholders of \$(69,000) or \$(0.06) loss per share in the same quarter a year ago.

At April 30, 2017, cash, cash equivalents and restricted cash totaled \$2.3 million compared to \$3.1 million at January 31, 2017.

Management Commentary

Richard K. Coleman, Jr., President and CEO at Crossroads Systems, said, "The hearing before the Federal Circuit on March 7, 2017 concluded the appeals phase of our '972 litigation. While we await the court's ruling, we are considering the potential impact of various outcomes on each of our pending cases and evaluating alternatives to maximize shareholder value."

About Crossroads Systems

Crossroads Systems, Inc. (NASDAQ: 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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Tables Attached

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

ASSETS	<u>April 30,</u> <u>2017</u>	<u>October 31,</u> <u>2016</u>
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 1,706	\$ 2,634
Restricted cash	631	1,459
Total cash, cash equivalents and restricted cash.....	2,337	4,093
Accounts receivable	1,200	1,212
Prepaid expenses and other current assets	227	179
Total current assets	3,764	5,484
Other assets	71	120
Total assets	\$ 3,835	\$ 5,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 120	\$ 339
Accrued expenses	437	637
Deferred revenue	661	1,531
Total current liabilities	1,218	2,507
Commitments and contingencies.....	-	-
Total liabilities	1,218	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, 1,225,472 and 1,225,472 shares issued and outstanding, respectively.....	1	1
Additional paid-in capital	239,956	239,835
Accumulated deficit	(237,343)	(236,742)
Total stockholders' equity.....	2,617	3,097
Total liabilities and stockholders' equity.....	\$ 3,835	\$ 5,604

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2017	2016	2017	2016
Revenue:				
IP license, royalty and other revenue.....	\$ 16	\$ 210	\$ 35	\$ 420
Cost of revenue:				
IP license, royalty and other cost of revenue.....	2	49	5	100
Gross profit	14	161	30	320
Operating expenses:				
General and administrative	496	1,356	1,359	3,705
Total operating expenses	496	1,356	1,359	3,705
Loss from operations	(482)	(1,195)	(1,329)	(3,385)
Other expense:				
Other income.....	399	627	870	3,299
Loss from continuing operations.....	(83)	(568)	(459)	(86)
Income (loss) from discontinued operations.....	-	577	-	(41)
Net income (loss).....	<u>\$ (83)</u>	<u>\$ 9</u>	<u>\$ (459)</u>	<u>\$ (127)</u>
Dividends attributable to preferred stock.....	\$ (68)	\$ (78)	\$ (136)	\$ (129)
Net loss available to common stockholders, basic and diluted.....	<u>\$ (151)</u>	<u>\$ (69)</u>	<u>\$ (595)</u>	<u>\$ (256)</u>
Earnings (loss) per share, basic and diluted:				
Discontinued operations.....	\$ -	\$ 0.47	\$ -	\$ (0.03)
Continuing operations	<u>\$ (0.12)</u>	<u>\$ (0.46)</u>	<u>\$ (0.49)</u>	<u>\$ (0.07)</u>
Available to common stockholder.....	<u>\$ (0.12)</u>	<u>\$ (0.06)</u>	<u>\$ (0.49)</u>	<u>\$ (0.21)</u>
Weighted average number of common shares outstanding, basic and diluted.....	<u>1,225,472</u>	<u>1,239,241</u>	<u>1,225,472</u>	<u>1,226,734</u>

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

	Six Months Ended April 30,	
	2017	2016
Cash flows from operating activities:		
Net loss.....	\$ (459)	\$ (127)
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.....	120	451
Provision for doubtful accounts receivable.....	-	(1)
Changes in assets and liabilities:		
Accounts receivable.....	12	630
Inventory.....	-	53
Prepaid expenses and other assets.....	(4)	48
Accounts payable.....	(219)	(1,279)
Accrued expenses.....	(199)	(735)
Deferred revenue.....	(871)	(4,559)
Net cash used in operating activities.....	<u>(1,620)</u>	<u>(6,369)</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)	-
Net cash used in financing activities.....	<u>(136)</u>	<u>-</u>
Effect of foreign exchange rate on cash and cash equivalents.....	-	(131)
Change in cash and cash equivalents.....	(1,756)	(5,676)
Cash, cash equivalents, and restricted cash beginning of period.....	4,093	11,792
Cash, cash equivalents, and restricted cash end of period.....	<u>\$ 2,337</u>	<u>\$ 6,116</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>\$ -</u>	<u>\$ 139</u>