

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Crossroads Systems, Inc.		2 Issuer's employer identification number (EIN) 74-2846643	
3 Name of contact for additional information Jennifer Crane		4 Telephone No. of contact 512-928-7129	5 Email address of contact jcrane@crossroads.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact c/o WeWork, 11801 Domain Blvd., Third Floor		7 City, town, or post office, state, and Zip code of contact Austin, TX 78758	
8 Date of action October 3, 2017		9 Classification and description Common Stock; Series F preferred stock	
10 CUSIP number 22766k103	11 Serial number(s)	12 Ticker symbol CRDSQ	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On October 3, 2017, Crossroads Systems, Inc. issued, to shareholders of record as of September 18, 2017, (a) one share of new common stock for each one share of its old common stock outstanding, and (b) \$1.03125 cash and 241,182/2,591,257 (approximately 0.09307529) shares of new common stock for each share of its Series F preferred stock outstanding (no fractional shares issued).**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **For common stock holders, the new common stock received will have the same tax basis as the holder's old common stock (allocated per share in the same manner as the basis in the old common stock was allocated).**

For preferred stock holders, the common stock received will have a tax basis equal to the holder's tax basis in the preferred stock immediately before the exchange, increased by any gain recognized in the exchange and decreased by the cash received.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **There is no change in basis for the common stock. The change in basis for the preferred stock is based, in part, on the gain recognized in the exchange. The Company is treating the exchange as a recapitalization under Section 368 (a)(1)(E) of Internal Rev Code. In such a recapitalization, a preferred stock holder will recognize gain, if any (but not loss), equal to the lesser of (a) the excess, if any, of (i) the sum of the fair market value of the common stock plus cash received, over (ii) the holder's adjusted tax basis in its preferred stock immediately before the exchange, and (b) the cash received. Valuing the common stock on the date of the exchange at its quoted closing stock price in the over the counter market (ticker symbol CRDSQ) of \$2.70 per share, the approximately 0.09307529 of a common share received for each preferred share (ignoring rounding for fractional shares) would be valued at approximately \$0.2513, so that each preferred stock holder received \$0.2513 of common stock plus \$1.03125 cash for each share of preferred stock exchanged (total value received of \$1.28255 for each preferred share). If that aggregate value (stock value plus cash) is less than the holder's basis in the preferred stock exchanged, then the holder recognizes no gain or loss and its basis in the common stock received is equal to the holder's basis in the preferred stock exchanged decreased by the cash received. If that aggregate value (stock value plus cash) is more than the holder's basis in the preferred stock exchanged, then the holder recognizes gain equal to the excess and its basis in the common stock received is equal to the holder's basis in the preferred stock exchanged, increased by such gain and reduced by cash received.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

Section 368(a)(1)(E) - Recapitalizations

Section 354(a) - Exchanges of stock and securities in certain reorganizations

Section 356 - Receipt of additional consideration

Section 358 - Basis to distributees

Section 302 - Distributions in redemption of stock

Section 1001 - Determination of amount of and recognition of gain

18 Can any resulting loss be recognized? ▶ Loss cannot be recognized

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____

The stock basis adjustment and any gain will be taken into account in the tax year of the shareholder during which the exchange occurred (e.g., 2017 for calendar year taxpayers).

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ *Jennifer Crane* Date ▶ _____

Print your name ▶ **Jennifer Crane** Title ▶ **CFO**

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.