

### **Restrictions on Stock Transfer – Crossroads Systems, Inc.**

To preserve valuable tax benefits, Article XV of the Seventh Amended and Restated Certificate of Incorporation of Crossroads Systems, Inc. ("CRSS") contains substantial restrictions on the ability to transfer CRSS's common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), either (i) any person or group of persons shall become a holder of 4.99% or more of CRSS's common stock or (ii) the percentage stock ownership interest in CRSS of any holder of 4.99% or more of CRSS's common stock shall be increased (a "Prohibited Transfer"). These restrictions shall not apply to an attempted transfer if the transferor or the transferee obtains the written approval of CRSS's Board of Directors.

A purported transferee of a Prohibited Transfer shall not be recognized as a stockholder of CRSS for any purpose whatsoever in respect of the securities which are the subject of the Prohibited Transfer (the "Excess Securities"), including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any. Once the Excess Securities have been acquired in a transfer that is not a Prohibited Transfer, the securities shall cease to be Excess Securities.

If CRSS's Board determines that a transfer of securities constitutes a Prohibited Transfer then, upon written demand by CRSS, the purported transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the purported transferee's possession or control, together with any distributions paid by CRSS with respect to such Excess Securities, to an agent designated by CRSS. Such agent shall thereafter sell such Excess Securities and the proceeds of such sale shall be distributed as set forth in CRSS's Seventh Amended and Restated Certificate of Incorporation. If the purported transferee of a Prohibited Transfer has resold the Excess Securities before receiving such demand, such person shall be deemed to have sold the Excess Securities for CRSS's agent and shall be required to transfer to such agent the proceeds of such sale, which shall be distributed as set forth in CRSS's Seventh Amended and Restated Certificate of Incorporation.

The foregoing summary does not purport to be complete. Stockholders and other interested persons should refer to Article XV of CRSS's Seventh Amended and Restated Certificate of Incorporation for the full text of the restrictions described above.