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With Businesses Looking for a Lower Cost Way of Storing Their Long-Term Data, Crossroads Systems, Inc. is in The Right Market at The Right Time using Tape Technology

**Technology
Data Management
(CRDS-OTCPK)**

Crossroads Systems, Inc.

**11000 North Mo-Pac Expressway
Austin, TX 78759
Phone: 512-349-0300**



**Rob Sims
President, CEO and Board Member**

BIO:

As a data storage, management and protection expert with more than 23 years of in-depth engineering expertise, Sims joined Crossroads Systems' development and operations team in 1999. He was named President, CEO and Board member in 2003. His experience in IT design, development and manufacturing has led to several award-winning solutions and patents, and Sims is frequently quoted in industry publications covering cloud computing, storage virtualization, disaster recovery, IT-based cost containment and data availability. Prior to

joining Crossroads, Sims managed the advanced manufacturing and product test organizations at Kentek Corporation as well as managed the manufacturing, engineering and quality organizations at Exabyte. He holds a B.S. in Electrical Engineering from Colorado State University and is recipient of the Most Valuable Performers Award from Network Products Guide.

**Company Profile:
About Crossroads Systems**

Crossroads Systems, Inc. is a global provider of solutions and services that ensure stored data is proactively protected and reliably recovered. Crossroads offers organizations powerful data protection, proactive data security, intelligent storage connectivity, unmatched performance, and significant cost savings. Founded in 1996 and headquartered in Austin, Texas, Crossroads holds more than 100 patents granted and pending and has been honored with numerous industry awards for innovation in data protection and storage. Crossroads (symbol: CRDS) trades over-the-counter on Pink Sheets and posts its financial disclosure reports, press releases and other related documentation on the OTCIQ Web service of the Pink Sheets Web site. For more information, visit: www.crossroads.com.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Sims, what is the grand vision of Crossroads?

Mr. Sims: The grand vision of Crossroads as a public company is to drive value to the end user and therefore value to our investors by taking the

technology and solutions that we have developed in collaboration with our customers, and bring those to market in a disruptive technological way - and address the burgeoning markets around Tier 3 archive data and archive management.

CEOCFO: Would you tell us about your technology and how is it different from what is available today?

Mr. Sims: Some folks might say 'what is old is new' and you look at technology goes through ebbs and flows and cycles. What Crossroads does is utilize technology that was forgotten with newer, enabling technology to provide this at a very low cost, very green, meaning low power, low cost to manage going forward for data storage. We are leveraging the tape storage technology (the old tape technology that was prevalent years ago), and discovering exciting new changes to the technology. It has a rich and creative roadmap going forward, but it needs intelligence on top of it to truly deliver an enterprise solution. It is Crossroads' technology that really brings that to life. So we take that core technology and bring it into an enterprise solution to enable customers to store their long-term data (on what we call Tier 3 data) in a very low cost, low power, green type of method going forward.

CEOCFO: Are people actively looking for better storage solutions?

Mr. Sims: The good thing is they understand what tape is from the past and they understand its inherent properties are good. What they also understand are the challenges it has brought. What they are finding nice and surprising is that these challenges will get resolved and it really is one of those things where you are able to

unlock the true potential of the particular method being used, vis-a-vis Tape. Therefore, in one way to answer your question, they are looking for a lower cost method of storing their long-term data. They are also looking for a better management mechanism of using Tape or other kinds of technology. So the fact that both of those are coming within the same solution is a very welcomed and exciting process for end users.

CEOCFO: Where are you in the process of letting people know what you have and getting your solutions in use?

Mr. Sims: We have what I would say are two strategic products individually and we just raised a round of funding to complete the solution that truly is what we believe is going to be the disruptive technology for the summer of this upcoming year when we will be launching it.

CEOCFO: How do you put it all together?

Mr. Sims: We have to go back to tape a little bit; the two technologies. One of the reasons why people like and use disc storage is because it is a random file accessible; you know where to save a file, you can drop it into a folder and later open that folder and click on the file and open it. That is what this kind of technology file access to disc gives you. However, with tape, you have never been able to do that. Tape has always been the proprietary application, kind of a back-office type of a process. So the technology that is coming out is actually allowing you to use Tape like disc, where you can do random file rights and reads from the physical media itself. Our technology enables you to plug that in as an enterprise solution, what we call Network Attached Storage (NATA). This is going to be called NATA, which is Network Attached Tape Archives. You do not have to make any changes whatsoever and it simply plugs in and works without timeouts or other issues. Therefore, data can be stored as a random file on tape and then randomly opened as

it burns on Tape. This cuts out a significant amount of middleware, software and applications. It tremendously improves the performance and the ability to randomly access the data. It unlocks the potential of what tape brings, which is a storage medium that requires no power. Once you store data to tape there is no power needed to keep that data stored, whereas on disk you must keep power going to the disk devices. Therefore, NATA is a very green technology from that perspective. Secondly, because Tape has a lot of media associated with reel to reel, it is a lower cost storage medium. An organization gains those two big benefits – which everyone always loves. A third reason is a reliability issue, as

When you are talking about a long-term archive, one of the critical things that people speak about regarding archiving is the ability for the system itself to be self-healing, because everything degrades and there are always problems, and in tape that option and capability never existed. However, with Crossroads and its tape and monitoring systems that we have been shipping and the analytics that we have been providing, the NATA product will actually have a fully integrating self-healing capability to it and that is very unique to Crossroads, our technology and our intellectual property. - Rob Sims

tape is a thousand times more reliable; especially for long-term data storage. Those three things are great, but the fact is you could not use it in this random way generically plugged in without all this proprietary middleware and performance issues that really hold it back. What Crossroads is bringing to market removes those technological barriers and uncovers the ability to use the low cost, highly reliable, no power type of storage medium.

CEOCFO: Is this a proprietary technology for you?

Mr. Sims: No, that is the other beautiful thing about it. At the very end the other problem was this proprietary nature. What you can do if you store this on a NATA storage system you, can take that individual tape, which is a lowest common denominator kind of

thing, this physical tape medium, and put it in a standard drive from IBM or HP, Quantum or whoever built LTO Drives. Therefore, with just a normal driver that you would load for any device, you can actually mount and read it like a USB key or drive. You can take that tape out of a NATA system and load it on any standard drive and be able to read and access your files, which is unique in the market as well; even the disk archive systems do not offer that capability.

CEOCFO: What are you doing that is unique and what is preventing someone from coming behind you and doing the same thing?

Mr. Sims: The core underlying technology that was announced is called LTFS. The technology that IBM and HP announced gives you only the base capability. What we are doing is taking a virtualization layer that allows us to present one view to the host, but yet be something completely different behind the scenes. That is critical in the NATA space because the hosts of applications need to think that all the files are visible and available all the time, even though they are stored now on the physical tape media.

Therefore, our virtualization layer is a critical solution that we have been shipping and delivering for a few years now. Secondly, when you are talking about a long-term archive, one of the critical things that people speak about regarding archiving is the ability for the system itself to be self-healing, because everything degrades and there are always problems, and in tape that option and capability never existed. However, with Crossroads and its tape and monitoring systems that we have been shipping and the analytics that we have been providing, the NATA product will actually have a fully integrating self-healing capability to it and that is very unique to Crossroads, our technology and our intellectual property. Finally, it is how you route data and communicate data back and forth to the systems and it is something that Crossroads has been doing for years and also we hold a lot

of intellectual property associated with it. In any new technology or sector there is always the case where organizations can come along and build something similar in a competitive kind of way, and at the core level of what file access to Tape is, there are certainly organizations that can do that. However, what we bring is self healing, virtualization, and seamless growth; a lot of these elements that come from the technology we have developed. Even if an organization was able to build something at the very basic level, to really turn it into an enterprise solution that is scalable, reliable, and secure, these are things that Crossroads brings to the top of the system that are a significant barrier to entry. Additionally, we have the intellectual property around a lot of it – which is an ultimate barrier to entry for other companies.

CEOCFO: What is your revenue model?

Mr. Sims: Currently, we have an OEM channel and a value-added reseller channel. We do not use a distribution channel at this point. It is a single-tier distribution channel with value-added resellers for our SPHiNX branded product and our RVA Read-Verify Appliance product. Our model is working well for us from the area of going to channels and building the brand of the business, which has taken a while, but it is continuing to grow very nicely. When we launch NATA there is going to be a couple of other approaches. There is certainly the approach of an OEM and we are working very closely with a couple folks right now to take the product to market. We are also going to change a little bit; we are going to be a bit more direct to market for the large end users, because this is a large sell. When you are talking about a 5 to 10 terabyte data storage system, even though we believe Crossroads will be a third to a quarter of the cost of other solutions, that is still a quarter of a million to three quarters of a million dollar sale – and we believe that is going to require a little more involvement with the end user. Therefore, we are going to add a direct sales team at the large enterprise level, along with focused inside operations. We are also going to be adding this as a

pure service model, so when you think about the cloud, the cloud storage market today only has a disk tier storage, meaning when you store data to the cloud it is only disk. NATA is going to be a game-changer for a cost effective and reliable long-term kind of storage play and our intention there is to sell this as a service to the other cloud providers. That will be a cost-per-day model. We started moving our current SPHiNX product that way a little bit, but when NATA comes out that will be our go-to-market strategy. It is unique and different; not what Crossroads has done in the past.

CEOCFO: Are there particular industries that lend themselves more or that you're looking to focus on, or is it really a wide open opportunity?

Mr. Sims: That is the beauty of it. There are a couple industries that are more focused on requirements, such as healthcare and financial that have a lot of rules in terms of how long you store data and how you protect data where the need for the right archive solution is prevalent. Down the line, people that are storing large volumes of data might need to come back to it. One segment is huge, and it is going to continue to grow – and that is the video and security markets. We are digitizing everything; everything is moving now if it is not already beginning the process. Therefore, the video market is going to welcome the ability to have random, accessible, long-term, reliable and self healing data storage. There are a few markets that are attuned to the need, but in general you are correct, any organization that has long-term data storage will need a solution of this nature.

CEOCFO: Do you think it will be hard to get people to comprehend that tape now has new capabilities or do you think it is easy to grasp once people hear about the technology?

Mr. Sims: I have to say yes to both. More than 90 percent of all data is still stored on tape. Therefore, there is a lot of tape out there and a lot of tape knowledge, but there is also a stigma to it in just dealing with tape and the challenges of tape. When we start talking about how this product works, we have no problem demonstrating its capabilities. We will be able to give

the customer the ability to try out a 36 terabyte data storage archive and try it out because that is going to be one of the approaches to it. Because once they see that it will plug in and it is self-managed, it is fully contained and it is doing what it is doing, everyone knows the benefits of tape for the other reasons. Frankly, when you start talking to someone about a third of the cost, well that will warrant someone taking a look at it, even if there is a stigma against it. That is what we stress in a system like that because that is when you start talking terabytes of data – if you are going from .15 cents per gig down to .6 cents or .6 cents per gig or even less, and you start talking terabytes of data, that is a significant multi-million dollar savings per year.. Therefore, we know that there are going to be opportunities. We already have early adopters, and a customer advisory board that can get engaged and provide further input. There is a hunger out there for a different or a better way to solve this long-term data retention problem.

CEOCFO: What is the financial picture like at Crossroads, and how far will it take you in getting everything done?

Mr. Sims: We did a ten million private pipe for the specific purposes of getting this product to market quicker, and the marketing and sales associated with the channels we need to go to. We were already over \$5 million in our cash and receivables yearly; we are not break-even, but we are getting close in our current business. We believe that our financing along with our ability to generate cash in the current business will push us all the way through to what we need. However, there is an opportunity coming up left, right and center now for the company as we successfully transition to a software type of a business. The fact is, we are pretty unique in the market with who we know and what we do that there are other go-to-market opportunities and functions that the board and management are constantly looking at. However, as far as this particular opportunity goes and the capability that we are doing this puts us over the \$13 million cash position and that is a very strong posi-

tion for the company and to service this opportunity.

CEOCFO: In closing, why should potential investors pick Crossroads out of the crowd?

Mr. Sims: The same reason as we did the raise. There are very few people that know how to do what we do and that have the legacy, history and relationships with the large providers that have intellectual property like this company has. We have more than 80 associated patents granted to this company, so we have been in this industry for a while. We are the technology underneath a lot of the solutions that are in there and we have a unique position to take advantage of a market opportunity that many people

haven't even paid attention to or seen. When you are an investor, being the after-everybody-went-to-the-party kind of guy doesn't really make the returns on your portfolio that you are looking for. You want to be looking for something that has a chance of being disruptive, that has a chance of taking over and being unique in the market with many capabilities behind it. Therefore, when we talk about Crossroads going forward, it is a unique situation. We have this technology, we have this opportunity, and all that is great. Our intellectual property has generated more than \$50 million in the last five years via licensing and other activity and we have only tapped one of our patents of the portfolio to do so. We have a very nice, strong, stable company with our

current business. We have a nice floor associated with the intellectual property and we have a unique opportunity for the technology to go forward. That is why investors got excited in this raise and I want to be clear on this, this raise was an above market raise in this timeframe – very unique. I believe we are the only company that has conducted an above market raise as a non-registered, non-listed, in the public space. This says a lot about the capabilities and uniqueness of what this company is doing and where we are going.



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