



Crossroads Systems, Inc.

Audit Committee Charter

Adopted February 28, 2012

Purpose

The Audit Committee (the Committee) is established by and amongst the Board of Directors (the Board) for the primary purpose of assisting the Board in overseeing:

[210.02-01 3.(f)(17)]
[NYSE 303A.07(b)(i)]
[SOA 205(a)]
[NASDAQ Rule 5605(c)(1)(C)]

- (i) The integrity of the Company's financial statements;
- (ii) The Company's compliance with legal and regulatory requirements;
- (iii) The Company's Registered Public Accounting Firm's (Independent Auditor's) qualifications and independence;
- (iv) The performance of the Company's Independent Auditor.

Authority

1. The Committee has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.
2. The Committee shall be empowered to investigate any matter it considers appropriate in order to fulfill its responsibilities and shall have full access to all books, records, facilities and personnel of the Company.
3. The Company will provide appropriate funding, as determined by the Committee, for compensation to the Independent Auditor, to any advisers that the Committee chooses to engage under paragraph 1 of this section, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

[NASDAQ Rule 5605(c)(1)(A)]

[240.10A-3(b)(4)]
[SOA 301(m)(5)]
[NASDAQ Rule 5605(c)(1)(D)]
[NASDAQ Rule 5605(c)(3)]

[240.10A-3(b)(5)]
[SOA 301(m)(6)]
[NASDAQ Rule 5605(c)(1)(D)]
[NASDAQ Rule 5605(c)(3)]

Membership

[NASDAQ Rule 5605(c)(1)(A)]

1. The Committee shall consist of three or more members of the Board, appointed annually, each of whom the Board has selected and determined to be independent in accordance with the applicable rules of the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers Automated Quotations (NASDAQ). The Board shall designate one of those members as the committee chair.

[240.10A-3(b)(1)(i)]
[NYSE 303A.07(a)]
[SOA 205(a)]
[SOA 301(m)(3)]
[NASDAQ Rule 5605(c)(2)(A)]
2. All members of the Committee must comply with the financial-literacy requirements of the NASDAQ. To help meet these requirements, the Committee will provide its members with annual continuing education opportunities in financial reporting and other areas relevant to the duties of the Committee. At least one member of the Committee will qualify as an “audit committee financial expert” as defined by the SEC.

[229.407(d)(5)]
[NYSE 303A.07(a)]
[SOA 407]
[NASDAQ Rule 5605(c)(2)(A)]
3. No Committee member shall simultaneously serve on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the member’s ability to serve effectively on the Committee.

[NYSE 303A.07(a)]

Meetings

[NASDAQ Rule 5605(c)(1)(A)]

1. The Committee shall meet at least four times each fiscal year and shall convene additional meetings as the Committee deems necessary.
2. The Committee chairperson, or, in the chairperson’s absence, the acting chair as designated by the Committee members, will preside at each meeting. In consultation with the other members of the Committee, the chairperson shall set the length of each meeting and the agenda items to be addressed.
3. Each regularly scheduled meeting will include separate executive sessions with Management and the Independent Auditor and will conclude with an executive session of the

[NYSE 303A.07(b)(iii)(E)]

Committee.

4. The agenda and any other briefing materials will be distributed to Committee members as far in advance of meetings as practicable to permit adequate time for review.
5. Minutes of each meeting will be kept and distributed to all members of the Board.
6. The Committee shall be governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), actions without meetings, notice, waiver of notice and quorum and voting requirements as are applicable to the Board.

Duties and Responsibilities

The Committee's role is one of oversight. Management is responsible for preparing the Company's financial statements and the Independent Auditor is responsible for auditing those financial statements. The Committee recognizes that Management and the Independent Auditor have more time, knowledge and detailed information about the Company than do the Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the Independent Auditor's work.

[NACD BRC]

The following are the Audit Committee's duties and responsibilities:

Audit Committee

1. Each member of the Committee shall demonstrate and promote open communication by and between members of the Committee, the Independent Auditor, Management and the Board.
2. Monitor and assess the tone set by Management with respect to ethical conduct, legal compliance and commitment to accuracy in financial reporting.
3. Review this Charter at least annually and recommend

[SAS No. 109]

[SAS No. 114]

[NACD BRC]

[NACD BRC]

to the Board of Directors any necessary amendments.

[NASDAQ Rule 5605(c)(1)]

Independent Auditor

4. Appoint, compensate, retain and oversee the work performed by the Independent Auditor retained for the purpose of preparing or issuing an audit report or related work. [240.10A-3(b)(2)]
[SOA 301(m)(2)]
[NASDAQ Rule 5605(c)(1)(D)]
[NASDAQ Rule 5605(c)(3)]
5. Establish clearly that the Independent Auditor reports directly to the Audit Committee and that the Audit Committee will oversee the resolution of disagreements between Management and the Independent Auditor should they arise. [240.10A-3(b)(2)]
[SOA 301(m)(2)]
[NASDAQ Rule 5605(c)(1)(D)]
[NASDAQ Rule 5605(c)(3)]
6. After reviewing the Independent Auditor's reports, required communications and work throughout the year, evaluate the Independent Auditor's qualifications, performance and independence including an evaluation of the lead partner. [NYSE 303A.07(b)(iii)(A)]
7. Review with the Independent Auditor any observations, audit problems or difficulties encountered and Management's response in areas including:
 - a. Restrictions on scope;
 - b. Access to requested information;
 - c. Significant disagreements with Management;
 - d. Passed adjustments;
 - e. Communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement;
 - f. Management or internal control letters issued or proposed to be issued;
 - g. The responsibilities, budget and staffing of the Company's Internal Audit function.
8. Review the Independent Auditor's report on the Company's assessment of internal control over financial reporting, as created in response to Sarbanes- [210.2-02(f)]
[SOA 103(a)(2)(A)(iii)]

Oxley Act, Section 404.

9. Review and pre-approve both audit and non-audit services to be provided by the Independent Auditor. The authority to grant preapprovals may be delegated to one or more designated members of the Committee whose decisions will be presented to the full Committee at its next regularly scheduled meeting. [210.2-01 3.(c)(7)(i)]
[SOA 201(h)]
[SOA 202(i)(1)(A)]
[SOA 202(i)(3)]
10. Hold timely discussions with the Independent Auditor regarding the following: [210.2-07]
[SOA 204(k)]
- a. All critical accounting policies and practices to be used;
 - b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor;
 - c. Any other material written communications between the Independent Auditor and Management, including, but not limited to, the management letter and schedule of unadjusted differences.
11. Discuss with the Independent Auditor all matters required to be discussed under Statement on Auditing Standards (SAS) No. 61, as amended. [229.407(d)(3)(i)(B)]
12. Discuss the written disclosures and the letter received from the Independent Auditor required by applicable requirements of the PCAOB regarding the Independent Auditor's communications with the Committee concerning independence. [229.407(d)(3)(i)(C)]
[NASDAQ Rule 5605(c)(1)(B)]
[PCAOB Rule 3526]
13. Annually review compliance with Audit Partner Rotation Rules of the SEC. [210.2-01 3.(c)(6)]
[NYSE 303A.07(b)(iii)(A)]
[SOA 203(j)]
14. Annually review hiring policies for employees or former employees of the Independent Auditor for [210.2-01 3.(c)(2)]
[NYSE 303A.07(b)(iii)(G)]
[SOA 206(l)]

compliance with the applicable rules of the SEC.

Financial Reporting

15. In consultation with the Independent Auditor and Management, review the integrity of the Company's financial reporting processes (both internal and external). [210.02-01 3.(f)(17)]
16. Meet with Management and the Independent Auditor to review and discuss the Company's:
- a. Annual financial statements;
 - b. Quarterly financial statements;
 - c. Disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
17. Discuss and review the types of information to be disclosed and the type of presentation to be made in the Company's earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-generally accepted accounting principle information), as well as financial information and earning guidance provided to analysts and rating agencies. [NYSE 303A-07(b)(iii)(C)]
[NYSE 303A-07(b)]
18. Review major issues regarding accounting principles and financial statement presentations including:
- a. Any significant changes in the selection or application of accounting principles;
 - b. Major issues as to the adequacy of the Company's internal control and any special audit steps adopted in light of material control deficiencies.
19. Review analyses prepared by Management and the Independent Auditor (as noted in item 7 under Independent Auditor above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of [NYSE 303A-07(b)]

alternative generally accepted accounting principle methods on the financial statements.

- 20. Review the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures, on the financial statements of the Company. [NYSE 303A-07(b)]
- 21. Review and evaluate all related-party transactions and determine whether or not a particular relationship serves the best interest of the Company and its shareholders and whether the relationship should be continued or eliminated. [NYSE 314]
[NASDAQ Rule 5630(a)]
- 22. Based upon the Committee's review and discussions, recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K [229.407(d)(3)(i)(D)]

Internal Control

- 23. Review Management's evaluation of the adequacy and effectiveness of the Company's internal and disclosure controls and procedures and the Company's internal control over financial reporting, including any significant deficiencies and significant changes in internal control. [240.13a-15]
- 24. Understand the scope of the Independent Auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with Management responses. [SAS No. 114]

Compliance, Risk Management and Complaints

- 25. Review the Company's Code of Business Conduct and Ethics and the Company's system to monitor compliance with and enforce this code. [NACD BRC]
- 26. Review the effectiveness of the system for monitoring compliance with legal and regulatory requirements. [NYSE 303A.07(b)(i)(A)(2)]
- 27. Obtain updates from Management and the Company's legal counsel regarding legal and regulatory [NYSE 303A.07(b)(i)(A)(2)]

compliance matters.

28. Discuss with Management guidelines and policies to govern the process by which risk assessment and risk management is handled, as well as the major financial risk exposures and the steps Management has taken to monitor and control such exposures. [NYSE 303A.07(b)(iii)(D)]
29. Establish and oversee procedures for receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential anonymous submissions by Company employees regarding questionable accounting or auditing matters. [240.10A-3(b)(3)]
[SOA 301(m)(4)]
[NASDAQ Rule 5605(c)(1)(D)]
[NASDAQ Rule 5605(c)(3)]

Corporate Officers Certifications

30. Receive and review any disclosure from the Company's CEO and CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC, including: [240.13a-14]
[240.13a-15]
[SOA 302(a)(5)]
[SOA 302(a)(6)]
- a. Significant deficiencies and material weaknesses in the design or operation of internal control which could adversely affect the Company's ability to record, process, summarize and report financial data;
 - b. Any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company's internal control;
 - c. Significant changes in internal control or in other factors that could significantly affect internal control subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Performance Evaluation

31. Conduct an annual review of the Committee's performance relative to its purpose, duties and [NYSE 303A.07(b)(ii)]

responsibilities.

Reporting

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| 32. Report regularly to the Board regarding the execution of the Committee's duties and responsibilities, activities and other relevant issues including: | [NYSE 303A.07(b)(iii)(H)] |
| a. Issues that arise with respect to the quality or integrity of the Company's financial statements; | |
| b. The Company's compliance with legal and regulatory requirements; | |
| c. The performance and independence of the Company's Independent Auditor; | |
| 33. Report the following items for inclusion in the Company's annual proxy statement: | [NYSE 303A.07(b)(i)(B)] |
| a. That the audit committee has a charter and the address of the link to the Committee's charter on the Company's web site; | [229.407(d)(1)]
[NYSE 303A.07(b)]
[NASDAQ Rule 5605(c)(1)] |
| b. The nature of the relationship of any director appointed to the Committee that is not independent and the reasons for the Board's appointment; | [229.407(d)(2)] |
| c. That the Committee has discussed with the Independent Auditor the matters required to be discussed by SAS No. 61; | [229.407(d)(3)(i)(B)] |
| d. That the Committee has received the written disclosures and the letter from the Independent Auditor required by the PCAOB regarding the Independent Auditor's independence and discussed the same with the Independent Auditor; | [229.407(d)(3)(i)(C)] |
| e. That the Committee recommended to the Board that the audited financial statements be included in the Company's annual report on Form 10-K; | [229.407(d)(3)(i)(D)] |
| f. That the Committee has reviewed and discussed the financial statements with management; | [229.407(d)(3)(i)(A)] |

- g. The name of each member of the Committee; [229.407(d)(3)(ii)]
[229.407(d)(4)(ii)(A)]
- h. The name of the Committee's financial expert as defined by the SEC and whether the person is independent along with a brief description of that person's relevant experience. [229.407(d)(5)(i)]
If the Committee does not have a financial expert, the Company must explain why it does not;
- i. Non-audit services performed by the Independent Auditor; [240.14a-101 ITEM 9(e)(4)]
[SOA 202(i)(2)]
- j. Committee members serving on the audit committees of more than three public companies that the Board has determined will nevertheless be able to serve successfully on the Committee. [NYSE 303A.07(a)]