



Standards of Professional Practice and Ethical Conduct

These Standards of Professional Practice and Ethical Conduct ("Standards") of Crossroads Systems, Inc. (the "Company") apply to every director, officer (including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO")) and employee of the Company.

PURPOSE

The Standards summarize the regulatory requirements and business practices that guide our decision-making and business activities. The Standards contain basic information about our policies as well as information regarding particular business practices or compliance concerns.

OVERVIEW

The Standards reflect our continued commitment to ethical business practices and regulatory compliance. You are expected to understand and comply with the Standards. The failure to read and/or acknowledge the Standards does not exempt you from your responsibility to comply with the Standards or the applicable laws, regulations, and Company policies and guidelines that are related to your job. You are also expected to report any violation of the Standards of which you become aware. The Company holds you accountable for complying with the Standards.

The Standards are not intended to nor will they cover every issue or situation you may face as a Crossroads' employee or director. Nor does it replace other more detailed policies and guidelines. You should use the Standards as a reference guide in addition to Crossroads' other policies and guidelines, including the Employee Manual. If any policy or procedure of the Company conflicts with the Standards, you should contact the Vice President in charge of your department for guidance.

ACCOUNTING POLICIES

All Company financial reports, accounting records, sales reports, expense accounts, time sheets and other documents must accurately and clearly represent the relevant facts or the true nature of a transaction. Improper or fraudulent accounting, documentation or financial reporting are contrary to Company policy and may also be in violation of applicable laws. For more information on our accounting procedures and processes see the Company's Accounting Policies, Controls & Procedures Guide.

ADHERENCE TO THE STANDARDS

Violations of the Standards cannot and will not be tolerated. Disciplinary actions for violation of the Standards can include oral or written reprimands, suspension or termination of employment or a potential civil lawsuit against you. Individuals who have willfully failed to report known violations will also be subject to disciplinary action.

The violation of laws, rules or regulations, may subject the Company to fines and other penalties and may result in your criminal prosecution.

AMENDMENTS AND MODIFICATIONS OF THE STANDARDS

These Standards have been approved by the Company's Board of Directors (the "Board") and may only be amended by the Board or a designated committee of the Board that will ascertain whether or not an amendment or modification of the Standards is appropriate. The Company reserves the right in its sole discretion to modify and/or eliminate any of the Standards without prior notice.

ANTITRUST AND FAIR COMPETITION LAWS

The purpose of antitrust laws in the United States and most other countries is to provide a level playing field to economic competitors and to promote fair competition. No director, officer or employee, under any circumstances or in any context, may enter into any understanding or agreement, whether express or implied, formal or informal, written or oral, with an actual or potential competitor, which would illegally limit or restrict in any way either party's actions, including the offers of either party to any third party. This prohibition includes any action relating to prices, costs, profits, products, services, terms or conditions of sale, market share or customer or supplier classification or selection.

It is our policy to comply with all U.S. antitrust laws. This policy is not to be compromised or qualified by anyone acting for or on behalf of the Company. You must understand and comply with the antitrust laws as they may bear upon your activities and decisions. Anti-competitive behavior in violation of antitrust laws can result in criminal penalties, both for the individual involved and for the Company. Accordingly, any question regarding compliance with antitrust laws or your responsibilities under this policy should be directed to the CFO. Any director, officer or employee found to have knowingly participated in violating the antitrust laws will be subject to disciplinary action, up to and including termination of employment.

BRIBERY

You are strictly forbidden from offering, promising, or giving money, gifts, loans, rewards, favors or anything of value to any governmental official, employee, agent or other intermediary (either inside or outside the United States) which is prohibited by law. Those paying a bribe may subject the Company and themselves to civil and criminal penalties. When dealing with government customers or officials, no improper payments will be tolerated. If you receive any offer of money or gifts that is intended to influence a business decision, then it should be reported to your supervisor immediately.

The Company prohibits improper payments in all of its activities, whether these activities are with governments or in the private sector.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS (INCLUDING INSIDER TRADING LAWS)

All employees, officers and directors are required to comply with all of the applicable laws, rules and regulations of the U.S. and other countries, and the states, counties, cities and other jurisdictions, in which the Company conducts its business or the laws, rules and regulations of which are applicable to the Company, including, without limitation, all prohibitions on "insider trading" and trading while in possession of material non-public information applicable to the Company and its directors, officers and employees. For more information, please see the Company's Insider Trading Policy. Any illegal action will be dealt with swiftly and violators reported to the authorities, as appropriate.

COMPUTER AND INFORMATION SYSTEMS

For business purposes, officers and employees are provided telephones and computer workstations and software, including network access to computing systems such as the Internet and e-mail, to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. We are each responsible for the appropriate use of these assets, which should be primarily limited to the execution of company business.

Under no circumstances may employees use the Company's e-mail, computers, or telephones to transmit, receive, view or share information that is discriminatory, defamatory, obscene, or offensive in any way. All messages sent and received, including personal and non-work related messages, and all data and information stored on the Company's computer, are Company property regardless of content. Officers and employees using the phone system, e-mail system, and computer network system should be aware that phone calls, e-mail messages, and computer system files may be monitored by the Company.

All software loaded onto Company-owned PCs, workstations or other computer systems must be officially licensed software. No software is to be installed or used that has not been duly paid for and licensed appropriately for the use to which it was intended. Please refer to the Employee Manual for additional guidelines for the use of e-mail and Internet services and other related procedures.

CONFIDENTIALITY

Employees and officers of the Company must maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized by the Company or is otherwise required by applicable law, in which case employees of the Company must first contact the CFO prior to the disclosure of any such confidential information. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

Employees, officers and directors may not use for personal gain any confidential or proprietary information obtained as a result of their relationship with the Company, e.g., unauthorized use of confidential or proprietary information, including patents, trademarks or non-public "inside" business information. Refer to the Employee Manual for a detailed description of the standards of practice with respect to confidential information.

CONFLICTS OF INTEREST

A conflict of interest exists if a real or perceived private interest of a director, officer or employee is in conflict with the interests of the Company, as when the individual receives improper personal benefits as a result of his or her position with the company, or when the individual has other duties, responsibilities or obligations that run counter to his or her duty to the company.

A conflict situation can arise when an employee or officer takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee or officer, or a member of his or her family, receives improper personal benefits as a result of the employee's or officer's position in the Company, whether received from the Company or a third party.

All directors, officers and employees must disclose any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest. Any employee or officer who becomes aware of a conflict of interest or a potential conflict should bring it to the attention of a supervisor, manager or the Director of Human Resources.

Unless previously approved by the Board, in the case of an officer, or the CEO or CFO, no director, officer or employee may work, including as a consultant or a board member, simultaneously for the Company and any competitor, customer or supplier of the Company. Officers and employees are encouraged to avoid any direct or indirect business connections with the Company's competitors, customers or suppliers, except on behalf of the Company.

Directors, executive officers and their family members are prohibited from accepting any personal loans from the Company or allowing the Company to guarantee any of their personal obligations, except as may be permitted under federal law.

CORPORATE OPPORTUNITIES AND PROTECTION AND PROPER USE/DISPOSAL OF COMPANY ASSETS

Directors, officers and employees have a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Employees and officers are prohibited from (a) improperly disposing of or taking Company property; (b) using Company property, information or position for improper personal gain; and (c) competing with the Company.

You are personally responsible and accountable for the proper expenditure of Company funds, including money spent for travel expenses or for customer entertainment. You are also responsible for the proper use of property over which you have control, including both Company property and funds and property that customers or others have entrusted to your custody. Company assets must be used only for proper purposes.

Company property should not be misused. Company property shall not be sold, loaned, given away or disposed of regardless of condition or value, without proper authorization from the CFO. Each director, officer and employee should protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All of our assets should be used only for legitimate business purposes.

DISCLOSURE POLICIES AND CONTROLS

The continuing excellence of the Company's reputation is dependent upon our full and complete disclosure of important information about the Company that is used in the securities marketplace. Our financial and non-financial disclosures and filings with the SEC must be transparent, accurate and timely. Proper reporting of reliable, truthful and accurate information is a complex process involving cooperation between many departments and disciplines. We must all work together to ensure that reliable, truthful and accurate information is disclosed to the public.

The Company shall disclose to the SEC, current security holders and the investing public information that is required, and any additional information that may be necessary to ensure the required disclosures are not misleading or inaccurate. The Company requires you to participate in the disclosure process, which is overseen by the Disclosure Committee and the CEO and CFO. The disclosure process is designed to record, process, summarize and report material information as required by all applicable laws, rules and regulations. Participation in the disclosure process is a requirement of a public company, and full cooperation and participation by members of the Disclosure Committee, CEO, CFO, and, upon request, other employees in the disclosure process is a requirement of these Standards.

Officers and employees must fully comply with their disclosure responsibilities in an accurate and timely manner or be subject to discipline of up to and including termination of employment.

ENVIRONMENT, HEALTH AND SAFETY

The Company is committed to managing and operating our worldwide assets in a manner that is protective of human health and safety and the environment. It is our policy to comply, in all material respects, with applicable health, safety and environmental laws and regulations. Each employee is also expected to comply with our policies, programs, standards and

procedures. Please refer to the Employee Manual for related procedures.

FAIR DEALING

All employees, officers and directors are required to conduct themselves honestly and ethically when carrying out the Company's business, and to endeavor to deal fairly with the Company's customers, suppliers, competitors and employees.

Employees, officers and directors should seek competitive advantages by pursuing the Company's interests fairly and honestly, and never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited.

Employees, officers and directors are prohibited from (a) taking unfair advantage of such persons through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practices or (b) taking any action to improperly influence, coerce, manipulate or mislead the Company's auditors or to prevent such persons from performing a diligent audit of the Company's financial statements.

FOREIGN CORRUPT PRACTICES ACT

The United States Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to foreign government officials or foreign political candidates in order to obtain, retain or direct business. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by you or an agent acting on our behalf, to a foreign official, foreign political party or official thereof or any candidate for a foreign political office for the purpose of influencing any act or decision of such foreign person or inducing such person to use his influence or in order to assist in obtaining or retaining business for, or directing business to, any person.

You and our agents are also prohibited from offering or paying anything of value to any foreign person if it is known or there is a reason to know that all or part of such payment will be used for the above-described prohibited actions. This provision includes situations when intermediaries, such as affiliates, or agents, are used to channel payoffs to foreign officials.

GIFTS, ENTERTAINMENT OR OTHER FAVORS

Gifts, favors, entertainment and other inducements may be given or received if they are (a) consistent with customary business practices; (b) not excessive in value and cannot be construed as a bribe or payoff; (c) do not violate applicable law or ethical standards; and (d) will not embarrass the Company or the employee if publicly disclosed. Employees should not accept a gift in cash or cash equivalent.

INVESTOR RELATIONS AND PUBLIC AFFAIRS

It is very important that the information disseminated about the Company be both accurate and consistent. For this reason, the Company's CEO and CFO are responsible for the Company's internal and external communications, including public communications with stockholders, analysts and other interested members of the financial community.

POLITICAL CONTRIBUTIONS

You shall refrain from making any use of Company, personal or other funds or resources on behalf of the Company for political or other purposes which are improper or prohibited by the applicable federal, state, local or foreign laws, rules or regulations. Company contributions or expenditures in connection with election campaigns will be permitted where allowed by federal, state, local or foreign election laws, rules and regulations.

PROHIBITED SUBSTANCES

We have policies prohibiting the use of alcohol, illegal drugs or other prohibited items, including legal drugs, which affect the ability to perform one's work duties, while on Company premises. The Company also prohibits you from reporting to work while under the influence of alcohol or illegal drugs. For the procedures on prohibited substances you should refer to the Employee Manual.

RECORD RETENTION

Certain documents and other records pertaining to our business must be maintained for specific periods of time in accordance with laws, regulations, and contractual obligations. This includes paper records, electronic information such as computer files or

electronic email, or information stored on any other medium.

The alteration, destruction or falsification of corporate documents or records may constitute a criminal act. Destruction or alteration of documents with the intent to obstruct a pending or anticipated official government proceeding is a criminal act and could result in large fines and a prison sentence of up to 20 years. Document destruction or falsification in other contexts can result in a violation of the federal securities laws or the obstruction of justice laws.

RESPONSIBILITY TO CO-WORKERS

A cornerstone of the Company's success is the teamwork of its directors, officers and employees. Your success as part of this team depends on your contribution and ability to inspire the trust and confidence of your coworkers and supervisors.

To best function as part of a team, we must always remember our responsibility to co-workers:

- Respect. Treat co-workers and other colleagues with respect and fairness, and advocate professional business practices and safeguard their rights and welfare.
- Collaboration and Encouragement. Strive for excellence in my professional business responsibilities by maintaining and enhancing my own knowledge and skills and by encouraging the professional development of co-workers and colleagues.
- Integrity. Practice the highest standard of integrity in business and professional dealings.
- Professional Leadership. Support educational endeavors and provide leadership in the areas of my professional business expertise.

REPORTING OF ILLEGAL OR UNETHICAL BEHAVIOR

You should be alert and sensitive to situations that could result in actions that might violate federal, state, or local laws or the standards of conduct set forth in these Standards. If you believe your own conduct or that of a fellow employee may have violated any such laws or these Standards, you have an obligation to report the matter.

Generally, you should raise such matters first with an immediate supervisor. However, if you are not comfortable bringing the matter up with your immediate supervisor, or do not believe the supervisor has dealt with the matter properly, then you should raise the matter with the Director of Human Resources or the Vice President in charge of your department. The most important point is that possible violations should be reported and we support all means of reporting them.

The Audit Committee of the Company's Board of Directors has established procedures in which employees may anonymously and confidentially report complaints or concerns about accounting, internal accounting controls or auditing practices.

In no event will the Company take or threaten any action against you as a reprisal or retaliation for making a complaint or disclosing or reporting information in good faith. However, if a reporting individual was involved in improper activity the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, the Company may consider the conduct of the reporting individual in promptly reporting the information as a mitigating factor in any disciplinary decision.

The Company will not allow retaliation against an employee for reporting a possible violation of the Standards in good faith. Retaliation for reporting a federal offense is illegal under federal law and prohibited under these Standards. Retaliation for reporting any violation of a law, rule or regulation or a provision of these Standards is prohibited. Retaliation will result in discipline up to and including termination of employment and may also result in criminal prosecution.

WAIVERS

There shall be no waiver of any part of these Standards for any director or officer except by a vote of the Board or a designated board committee that will ascertain whether a waiver is appropriate under all the circumstances. In case a waiver of the Standards is granted to a director or officer, the notice of such waiver shall be posted on our website within five days of the Board's vote or shall be otherwise disclosed as required by applicable law or NASDAQ rule. Notices posted on our website shall remain there for a period of 12 months and shall be retained in our files as required by law.

A waiver for a specific event arising under the "Conflicts of Interest" section of the Standards may be granted to an employee that is not a director or officer on the approval of the Director in charge of the division or department for which the employee works and the CFO. No other waivers of the Standards are permitted.

CONCLUSION

The Standards attempt to point all of us at the Company in the right direction, but no document can achieve the level of principled compliance that we are seeking. In reality, each of us must strive every day to maintain our awareness of these issues and to comply with the Standards' principles to the best of our abilities.