

BLUEPHOENIX SOLUTIONS LTD.
and Subsidiary Companies
(the “Company”)

CODE OF BUSINESS CONDUCT AND ETHICS

1. PUTTING THE CODE OF BUSINESS CONDUCT AND ETHICS TO WORK

About the Code of Business Conduct and Ethics; Compliance with Laws and Regulations

We at BluePhoenix are committed to the highest standards of business conduct in our relationships with each other and with our customers, suppliers, shareholders and others. This requires that we conduct our business in accordance with all applicable laws and regulations and in accordance with the highest standards of business ethics. Executive and financial officers have also leadership responsibilities that include creating a culture of high ethical standards and commitment to compliance; maintaining a work environment that encourages employees to raise concerns; and promptly addressing employee compliance concerns. BluePhoenix’s Code of Business Conduct and Ethics helps each of us in this endeavor by providing a statement of the fundamental principles and key policies and procedures that govern the conduct of our business.

Our business depends on the reputation of BluePhoenix and its employees for integrity and principled business conduct. Thus, in many instances, the policies referenced in this Code go beyond the requirements of the law.

The Code is a statement of policies for individual and business conduct and does not, in any way, constitute an employment contract or assurance of continued employment and does not create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.

2. RESPONSIBILITY TO OUR ORGANIZATION

BluePhoenix employees are expected to dedicate their best efforts to BluePhoenix business and to avoid any conflicts with the interests of BluePhoenix.

2.1 Conflicts of Interest

In order to maintain the highest degree of integrity in the conduct of BluePhoenix business and to maintain your independent judgment, you must avoid any activity or personal interest that creates or appears to create a conflict between your interests and the interests of

BluePhoenix. A conflict of interest occurs when your private interests interfere in any way, or even appear to interfere, with the interests of BluePhoenix as a whole. A conflict situation can arise when you take actions or have interests that make it difficult for you to perform your work in the Company, objectively and effectively. You should never act in a manner that could cause you to lose your independence and objectivity or that could adversely affect the confidence of our customers, suppliers or fellow employees in the integrity of BluePhoenix or its procedures. Although we cannot list every conceivable conflict, following are some common examples that illustrate actual or apparent conflicts of interest that should be avoided:

2.1.1 Improper Personal Benefits from the Company

Conflicts of interest arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. You may not accept any benefits from the Company that have not been duly authorized and approved pursuant to Company policy and procedure, including any Company loans or guarantees of your personal obligations.

2.1.2 Business Arrangements with BluePhoenix

Without prior written approval from the Chief Executive Officer, you may not participate in a joint venture, partnership or other business arrangement with BluePhoenix. (Executive and financial officers and members of the Board must obtain the prior written approval of the Audit Committee before participating in such an arrangement.)

2.1.3 Family Members Working in the Industry

You may find yourself in a situation where your spouse or significant other, your children, parents, or in-laws, or someone else with whom you have a familial relationship is a competitor, supplier or customer of BluePhoenix or is employed by one. Such situations are not prohibited, but they call for extra sensitivity to security, confidentiality and conflicts of interest.

2.1.4 Corporate Opportunities

As employees, officers and directors of BluePhoenix, we owe a duty to BluePhoenix to advance its legitimate interests when the opportunity to do so arises. You may not take for yourself personally opportunities that are discovered through the use of corporate property, information or position or use corporate property, information or position for personal gain. Nor may you compete with BluePhoenix.

2.2 Protection and Proper Use of BluePhoenix Assets

We each have a duty to protect BluePhoenix's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on BluePhoenix's profitability. We should take measures to prevent damage to and theft or misuse of BluePhoenix property. When you leave BluePhoenix, all BluePhoenix property must be returned to BluePhoenix. Incidental and occasional personal use of BluePhoenix's electronic mail and telephone systems is permitted. However, you should be aware that even personal messages on BluePhoenix's computer and telephone systems are BluePhoenix's property and you should therefore have no expectation of personal privacy in connection with your use of these resources.

2.3 BluePhoenix Books and Records

You must complete all BluePhoenix documents accurately, truthfully and in a timely manner, including all travel and expense reports. When applicable, documents must be properly authorized. You must record the Company's financial activities in compliance with all applicable laws and accounting practices. The making of false or misleading entries, records or documentation is strictly prohibited. You must never create a false or misleading report or make a payment or establish an account on behalf of the Company with the understanding that any part of the payment or account is to be used for a purpose other than as described by the supporting documents.

2.4 Disclosures in Periodic Reports

As a public company, BluePhoenix is required to file various periodic reports with the Securities and Exchange Commission. It is BluePhoenix policy to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all required periodic reports.

2.5 Confidential Information

All employees may learn, to a greater or lesser degree, facts about BluePhoenix's business, plans, operations or "secrets of success" that are not known to the general public or to competitors.

Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. During the course of performing your responsibilities, you may obtain information concerning possible transactions with other companies or receive confidential information concerning other companies, which BluePhoenix may be under an obligation to maintain as confidential.

You must maintain the confidentiality of information entrusted to you by the Company or its customers, except when disclosure is authorized or legally mandated. Employees who possess or have access to confidential information or trade secrets must:

- Not use the information for their own benefit or the benefit of persons inside or outside of BluePhoenix.
- Carefully guard against disclosure of that information to people outside BluePhoenix. For example, you should not discuss such matters with family members or business or social acquaintances or in places where the information may be overheard, such as taxis, public transportation, elevators or restaurants.
- Not disclose confidential information to another BluePhoenix employee unless the employee needs the information to carry out business responsibilities.

Your obligation to treat information as confidential does not end when you leave BluePhoenix. Upon the termination of your employment, you must return everything that belongs to BluePhoenix, including all documents and other materials containing BluePhoenix confidential information. You must not disclose confidential information to a new employer or to others after ceasing to be a BluePhoenix employee. You may not disclose your previous employer's confidential information to BluePhoenix. Of course, you may use general skills and knowledge acquired during your previous employment.

2.6 Insider Trading

You are prohibited by Company policy and the law from buying or selling securities of the Company at a time when in possession of "material nonpublic information." This conduct is known as "insider trading." Passing such information on to someone who may buy or sell securities - known as "tipping" - is also illegal. The prohibition applies to BluePhoenix securities and to securities of other companies if you learn material nonpublic information about other companies, such as BluePhoenix's subsidiaries, in the course of your duties for BluePhoenix.

Information is "material" if (a) there is a substantial likelihood that a reasonable investor would find the information "important" in determining whether to trade in a security; or (b) the information, if made public, likely would affect the market price of a company's securities. Examples of types of material information include unannounced dividends, earnings, financial results, important personnel changes, business plans, possible mergers, acquisitions, divestitures or joint ventures, important litigation developments, and important regulatory, judicial or legislative actions. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information.

Information is considered to be nonpublic unless it has been adequately disclosed to the

public, which means that the information must be publicly disclosed, and adequate time must have passed for the securities markets to digest the information. Examples of adequate disclosure include public filings with securities regulatory authorities and the issuance of press releases, and may also include meetings with members of the press and the public. A delay of one or two business days is generally considered a sufficient period for routine information to be absorbed by the market. Nevertheless, a longer period of delay might be considered appropriate in more complex disclosures.

Do not disclose material nonpublic information to anyone, including co-workers, unless the person receiving the information has a legitimate need to know the information for purposes of carrying out the Company's business. If you leave the Company, you must maintain the confidentiality of such information until it has been adequately disclosed to the public by the Company.

2.7 Compliance with Law

We must all comply with all applicable laws and regulations wherever the Company does business. We are each responsible for knowing and following the applicable laws or regulations. We must act in manner that upholds the spirit and the intent of the law.

Violations of laws and regulations may have serious consequences for the Company and for the individuals involved. When you have any questions or concerns about the legality of an action, you are responsible for consulting with management and the legal counsels of the Company.

2.8 Anti Corruption

The Company complies with the anti-corruption laws and treaties in the countries in which it does business. You must never offer, make or accept, directly or indirectly, corrupt payments or bribes, and must not participate in or facilitate corrupt activities of any kind.

These requirements apply both to the Company employees and to third parties acting on the Company's behalf. You must never engage a third party who we believe may attempt to offer a corrupt payment to conduct the Company's business.

2.9 Equal Employment Opportunities and Discrimination

BluePhoenix does not unlawfully discriminate on the basis of religion, race, color, sex, national origin, ancestry, age, disability, military status, gender or sexual orientation. The Company provides equal employment opportunities in all areas of employment.

2.10 Prevention of Harassment

The Company is committed to providing a workplace free of any harassment. Abusive, harassing, violent, threatening or offensive conduct is unacceptable and prohibited, whether verbal, physical or visual. You are encouraged to speak out if a co-worker's conduct makes you uncomfortable. If you become aware of any harassing behavior in the Company, immediately notify a manager or the Company's legal counsel.

2.11 All and any Company's systems and frameworks, including email accounts and databases, servers, computers, telephones and communication devices, blackberries or any electronic devices (the "Company's Systems"), and all and any information, data and knowledge stored on these systems are proprietary to the Company, owned solely by the Company and are designated to serve the interests and business of the Company. You are entitled to use Company's Systems for your personal use as well to a reasonable extent, subject to the Company's policies and guidelines (as may be amended from time to time), subject to provisions of applicable law, provided that such use does not interfere with the performance of your duties and services to the Company. The Company is entitled to supervise the use of any such Company's System and access and examine any information, data, knowledge or item stored on, transferred or received through any Company's System, for purpose relating to the Company's business, or for the Company's interests or for business reasons or other reasonable reasons, to the extent that such actions are not forbidden by applicable law.

3. FAIR DEALING

BluePhoenix depends on its reputation for quality, service and integrity. We must never take unfair advantage of others through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

4. IMPLEMENTATION OF THE CODE

4.1 Responsibilities

While each of us is individually responsible for putting the Code to work, we need not go through it alone. BluePhoenix has a number of resources, people and processes in place to answer our questions and guide us through difficult decisions.

Copies of this Code are available from the Legal Advisor.

4.2 Seeking Guidance

This Code cannot provide definitive answers to all questions. If you have questions regarding any of the policies discussed in this Code or if you are in doubt about the best course of action in a particular situation, you should seek guidance from your supervisor, the General Counsel or the other resources identified in this Code.

4.3 Reporting Violations

If you know of or suspect a violation of applicable laws or regulations, the Code, or BluePhoenix's related policies, you must immediately report that information to your supervisor. *No one will be subject to retaliation because of a good faith report of suspected misconduct.* However, failure to report a suspected violation of the Code is itself a violation of the Code and could subject you to disciplinary action, up to and including termination.

4.4 Investigations of Suspected Violations

All reported violations will be promptly investigated and treated confidentially to the greatest extent possible. It is imperative that reporting persons not conduct their own preliminary investigations. Investigations of alleged violations may involve complex legal issues, and acting on your own may compromise the integrity of an investigation and adversely affect both you and the Company.

4.5 Discipline for Violations

BluePhoenix intends to use every reasonable effort to prevent the occurrence of conduct not in compliance with its Code and to halt any such conduct that may occur as soon as reasonably possible after its discovery. BluePhoenix personnel who violate this Code and other BluePhoenix policies and procedures may be subject to disciplinary actions, up to and including discharge. In addition, disciplinary measures, up to and including discharge, may be taken against anyone who directs or approves infractions or has knowledge of them and does not promptly report and correct them in accordance with BluePhoenix policies.

4.6 Waivers of the Code

The Company will waive application of the policies set forth in this Code only where circumstances warrant granting a waiver, and then only in conjunction with any appropriate monitoring of the particular situation. Waivers of the Code for directors and executive officers may be made only by the Board of Directors as a whole or the Audit Committee and must be

promptly disclosed as required by law or regulation.

4.7 No Rights Created

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of BluePhoenix's business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.