

CRAY INC.

**CODE OF BUSINESS CONDUCT**

February 2004

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**Table of Contents**

<u>Topics</u>	<u>Page</u>
Introduction .....	1
Conflicts of Interest Principles .....	3
Public Disclosure and Communications; Recordkeeping .....	5
Compliance with Law.....	6
Workplace Policies and Principles .....	9
Compliance and Waivers.....	10
Reporting Concerns .....	10
Administration.....	12

## Introduction

The Cray Code of Business Conduct applies to all directors, officers and employees of Cray and its subsidiaries worldwide. This Code supports our commitment to integrity, excellence, teamwork and mutual respect, and to compliance with the letter and spirit of applicable laws, rules and regulations and of our policies, guidelines and provisions of our employee handbook.

The Code is designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest and, whenever possible, the avoidance of conflicts of interest,
- Full, fair, accurate, timely and understandable public disclosures and communications,
- Compliance with applicable governmental laws, rules and regulations,
- Compliance with our workplace policies and guidelines,
- Prompt internal reporting to appropriate persons of violations of this Code or our policies, guidelines and handbook provisions, and
- Accountability for adherence to this Code.

In addition to this Code, we have specific corporate policies and guidelines and our employee handbook that must be followed when dealing with many of the subjects discussed here. You are responsible for familiarizing yourself with our policies and guidelines and the handbook. Each of these documents may be modified or supplemented from time to time; the current versions will be posted on our internal website. Each country in which we operate may have more stringent laws, policies, practices and standards, and you also need to be aware of these. In all matters each of us needs to be sensitive to a range of situations that could result in behavior that is, or may appear to be, illegal or unethical. Additionally, you may be required to take action against conduct that is illegal or unethical.

Keep this Code handy and consult it whenever you have any question about any ethical situation, appropriate conduct or legal compliance.

If you find yourself in a difficult position, here are some tips for determining the best approach for making ethical and compliance-related decisions:

Be sure you:

- Follow the guidelines in this Code,
- Act in accordance with Cray's values,
- Comply with our related policies, guidelines and handbook provisions, and
- Use your own good judgment and common sense.

In addition, ask the following questions:

- Have I verified the significant facts?
- Is the transaction legal?
- Is this fair and just?

- Will I be comfortable with my decision?
- How would others view my decision if it were publicly known?
- Should I ask for assistance or guidance?

If you have a good faith concern regarding this Code or what you believe to be a violation of the Code, including any questionable accounting or financial matter, you should immediately bring it to the attention of your manager. If you feel more comfortable with a member of management who is not your supervisor, you may take your concern to any higher manager, the General Counsel or any other officer. If you prefer, you can report your concern anonymously through Ethicspoint, our third-person reporting process, by clicking the Ethicspoint icon on our Inside Cray page, contacting [www.ethicspoint.com](http://www.ethicspoint.com) through any computer or using the telephone and calling 1-866-384-4277.

We will handle all inquiries discreetly and will make every effort to maintain, within the limits allowed by the law, the confidentiality of anyone requesting guidance or reporting questionable behavior and/or a possible violation. We will not tolerate any retribution or retaliation against any employee who in good faith has sought out advice or has reported questionable behavior and/or a possible violation. See the “Reporting Concerns” portion of this Code for more information regarding inquiries or reporting possible violations.

## Conflicts of Interest Principles

Each of us has a responsibility to Cray, its shareholders and each other. In our business dealings we must always strive to avoid even the appearance of impropriety. Each of us must avoid any personal or business influences or relationships that affect adversely, or appear to affect adversely, the best interests of Cray.

A conflict of interest exists when a personal interest or activity of a person subject to this Code influences or interferes with that person's performance of his or her duties, responsibilities or loyalties to Cray. There are many ways in which a conflict of interest, or what may appear to others to be a conflict of interest, may arise; conflict situations often are not clear-cut. If a proposed transaction or situation raises any questions or doubts, you should report your concerns. Prior disclosure of all of the relevant facts often resolves many conflict situations.

Here are some common examples in which conflicts of interest may appear:

Doing Business with a Related Party. As a general rule, you should avoid conducting Cray business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role. If such a related party transaction is unavoidable, you must disclose fully the nature of the related party transaction to the General Counsel prior to the transaction taking place. If the General Counsel finds that the transaction is material, then the Audit Committee must give prior written approval to the transaction. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

Significant related party transactions involving directors and/or executive officers must be approved by the Board and may require disclosure under the federal securities laws.

Outside Employment. You may not engage in any other employment that diminishes your professional effectiveness at Cray or is otherwise in conflict with or prejudicial to Cray. No employee may have or accept simultaneous employment with a supplier, customer or competitor, or take any part in any activity that enhances or supports a competitor's position.

Investments. If you are considering investing in one of our customers, suppliers or competitors, you must first take great care to ensure that these investments do not compromise your responsibilities to Cray. Factors that should be considered in determining whether a conflict exists include the size and nature of the investment, your ability to influence Cray's decisions, your access to confidential information regarding Cray or the other company and the nature of the relationship between Cray and the other company. An investment not exceeding 1% of the outstanding shares of a publicly held company, by itself, will not raise a question under this policy.

Outside Directorships. You may not serve as a director of any company that competes with Cray. Whether you can serve as a director of a supplier, customer or other business partner depends on the particular facts and circumstances. Any compensation you receive

must be commensurate with your responsibilities. Before accepting any such directorships you must first receive the approval of the Chief Executive Officer. If you are a director or executive officer, you also must receive the approval of the Corporate Governance Committee of the Board.

Corporate Opportunities. You may not exploit for your own personal gain opportunities that are discovered through the use of Cray property, information or position unless the opportunity first is disclosed fully to the Board of Directors and the Board declines to pursue such opportunity.

Gifts and Entertainment. Giving or accepting a gift or gratuity in a business setting can create a sense of obligation as well as an apparent or actual conflict of interest. Gifts are not always physical objects – they also may be services, favors or other items of value. If a gift or gratuity could be viewed as being given to gain an unfair business advantage or as creating the appearance of or an actual conflict of interest in connection with your role at Cray, it violates our policy against conflicts of interest.

You may not give or accept any gift if the value of the gift reasonably can be construed to be with the intent to influence improperly the normal course of business relationships between Cray and its suppliers, customers, competitors or any outside party. A useful test for determining whether a gift or entertainment is appropriate is whether, if publicly disclosed or known, the gift or entertainment would create embarrassment and/or an obligation to the receiver or provider. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive and/or do not create an appearance of impropriety, do not violate this policy. We recognize that some business situations call for the giving of gifts. Our gifts must be legal, reasonable and approved by local management.

In some situations, it would be impractical or harmful to refuse or to return a gift. In these situations, check with your manager. In certain circumstances, the gift may be shared with other employees or donated to charity.

You may accept entertainment when representatives of both parties are present at the event and the entertainment is reasonable in the context of the business and that advances Cray's interests. For example, taking or accompanying a business associate to a local cultural or sporting event or to a business meal would be acceptable in most cases. If the entertainment is lavish or frequent, you must turn down the offer or pay the true value of the entertainment yourself. All entertainment must take place in a setting that is appropriate and fitting for all involved.

Gifts to and entertainment of governmental officials, including paying for business meals, may be prohibited by law. You should obtain prior approval from your manager in each instance.

Special rules apply to gifts and contributions to candidates and political figures. See the section below on "Political Contributions and Activities." Also U. S. federal law governs gift-giving for U. S. employees when working outside of the United States or to a

representative of a foreign government. For more information, see the section below on the “Foreign Corrupt Practices Act and Improper Payments.”

Under no circumstances may you give or accept kickbacks or bribes in any form to or from a supplier, customer or any other party, directly or indirectly.

The nature and cost of all gifts given and of entertainment by Cray must be recorded accurately in our books and records.

### **Public Disclosure and Communications; Recordkeeping**

We are committed to full, fair, accurate, timely and understandable disclosures in reports and documents that we file with the Securities and Exchange Commission and other governmental agencies, whether in the United States or other countries, and in our public communications.

To accomplish this goal, our corporate and business records must be completed accurately and honestly. While only some of our employees are directly involved in the preparation and publication of SEC and other governmental reports and documents, most employees are involved with reports or documents of some kind on which our financial reports are based – requisitions for the purchase of supplies, contracts for the sale of a computer or provision of services, expense reports, product quality or safety reports, personnel records or vouchers or time sheets.

The integrity of our recordkeeping and reporting systems must be respected at all times. Our business records must be prepared accurately and reliably, and reflect our funds, assets and financial transactions fully so that we may manage our business properly and report our financial results accurately. When a payment is made, it can be used only for the purpose spelled out in the supporting document. No entry can be made on our books and records that intentionally obscures or disguises the true nature of any transaction.

We are all responsible for safeguarding and preserving Cray’s assets and properties under our control. We are also responsible for providing an auditable record of transactions related to the use of these assets. None of us may use, authorize or condone the use of “off-the-books” bookkeeping, secret accounts, unrecorded bank accounts, “slush” funds, falsified books, undisclosed side letters or agreements with customers or suppliers, or any other device or procedure that could be used to distort our records, reports or obligations and commitments.

Business records and communications often become public through litigation, government investigations and the media. We will avoid exaggeration, colorful language, guesswork and derogatory remarks or characterizations of people and companies in all our communications, including email and “informal” notes and memoranda.

We will retain our records in accordance with law and our records retention policies. In addition, we must retain all records, including email and other electronic data, that have any bearing on threatened or pending litigation, investigations or administrative proceedings.

## **Compliance with Law**

We all are to respect and comply with the laws, rules and regulations of all jurisdictions that are applicable to Cray, both in letter and in spirit.

Antitrust and Fair Competition. The antitrust laws are designed to promote competition among businesses and prohibit acts in restraint of trade. Activities that limit competition, restrict trade or otherwise dominate a market may violate the antitrust laws of the United States, various states and other countries and jurisdictions, such as the European Economic Union. Such violations can expose Cray and individuals to criminal penalties, large fines and civil lawsuits.

To avoid antitrust problems, follow these guidelines:

- Do not fix prices or divide markets with competitors.
- Avoid discussing the following information, if it is not publicly available, while attending meetings or social events with competitors or potential competitors--
  - Prices, pricing policy, contract terms or conditions,
  - Costs, inventories, marketing and service plans, market surveys and studies,
  - Capacity plans and capabilities, territorial agreements, or
  - Any other proprietary or confidential information.
- Do not suggest or imply to any vendor that it must purchase products or services from Cray in order to sell products or services to Cray.
- Be careful that any negative or critical comments you make about competitors are accurate.

Before taking any actions that may have potential antitrust implications, consult your manager and the General Counsel.

Anti-Kickback, Bribery. In the United States and in other countries it is illegal to provide, offer or accept a kickback or bribe. A kickback or bribe may be defined as any money, fee, commission, credit, gift, gratuity, thing or service of value, or compensation of any kind that is provided directly or indirectly and that has as one of its purposes the improper obtaining of favorable treatment in a business transaction. Our policy is clear – kickbacks and bribes are illegal and are not allowed.

Foreign Corrupt Practices Act and Improper Payments. Closely related to our policy on kickbacks and bribes is compliance with the Foreign Corrupt Practices Act, which applies to Cray doing business around the world.

The Foreign Corrupt Practices Act makes it illegal to pay, to offer to pay or to authorize the payment of any money, gift or thing or service of value to any foreign official or any foreign political party, candidate or official for the purpose of influencing any act or failure to act in the official capacity of that foreign official or party or inducing the foreign official or party to use influence to affect a decision of a foreign government or agency in order to obtain or retain business for anyone or direct business to anyone.

In addition, the Foreign Corrupt Practices Act requires that all such payments be properly recorded on our books. We all must observe the Foreign Corrupt Practices Act.

Certain “facilitating” payments are sometimes required or are common in order to have minor government officials perform nondiscretionary duties that they might otherwise delay or fail to undertake, such as processing governmental papers, scheduling inspections and providing utilities as water or power. These types of payments, generally in the form of tips, may be permitted under the Foreign Corrupt Practices Act and other laws. Do not make any such payments, however, unless authorized to do so by senior management, and record them accurately.

Export Controls. The United States and many foreign countries maintain controls on the destination to which products or software may be exported. Often these rules and regulations are very complex, and transactions may require an export license. In addition, U.S. export control regulations apply to providing access to controlled technologies to certain foreign nationals, including employees of the Company or employees of the Company’s subcontractors, even when the access is within the United States. Such access may be provided through our intranet or through oral presentations. The General Counsel or Alan Benfell can provide you with guidance when a sale, presentation or other circumstances may require an export license or other compliance with the export control laws and regulations.

Government Contracts. We observe the laws, rules and regulations that govern the acquisition of goods and services by the governments of the United States and other countries. We compete fairly and ethically for business opportunities with domestic and foreign government entities. Employees involved in the bidding and negotiation of government contracts are to be certain that all statements, communications and representations to government representatives and other customers are accurate. We must report properly and charge all time and costs to the appropriate account, regardless of the status of the budget or account. We will not tolerate falsification of time or cost records. The submission or concurrence in the submission of any fraudulent claims, bids, proposals and other documents strictly is prohibited.

Classified Information. We are legally and contractually required to protect information in our possession that is vital to the United States or of other countries. Classified information may be received and maintained only at appropriate facilities. Contact the appropriate facility security officer if you have any questions about applicable requirements.

Customs, Trade and Logistics. We must comply with customs laws and regulations in every country where we do business. We must take care to provide complete and accurate

information to authorities about the value, kind and origin of product that we (or in some cases, our vendors and customers) import for manufacture or sale. It may also be necessary for us to mark imported goods with the country of origin. We will not accommodate any requests to lower customs values inaccurately or to describe products inaccurately.

Third-Party Software. We may use software and other content information only in accordance with their associated licenses and/or terms of use. We prohibit the making or using of copies of non-licensed copyrighted material, including software, documentation, graphics and photographs.

Insider Trading. U.S. federal and state securities laws prohibit the purchase or sale of a company's securities by a person while in possession of material, non-public information with respect to that company or securities. These laws also prohibit a person from disclosing or "tipping" such information to other persons. We all must observe Cray's policies regarding securities trading.

Obtaining Competitive Information. We compete fairly and lawfully in the marketplace and obtain competitive information legally. We may not steal or unlawfully use information, material, products, intellectual property or proprietary or confidential information of other parties, including suppliers, customers, business parties or competitors.

Political Contributions and Activities. U.S. federal laws prohibit contributions by Cray to U.S. federal candidates or political parties. State and local laws and the laws of other countries also prohibit or restrict corporate contributions. Any such permitted corporate contributions must be in full compliance with applicable law and approved by the Chief Executive Officer.

We encourage you to be involved in civic affairs and to participate in political activities. This involvement, however, must be on an individual basis, on your own time and at your own expense. You may not use any Cray facilities, such as supplies, telephones, copy machines, facsimile machines or letterhead in connection with political activities, candidates or parties. You may not represent yourself as acting on behalf of or as speaking for Cray without the prior permission of the Chief Executive Officer.

We forbid any pressure, direct or implied, that infringes upon your right to decide whether, to whom and in what amount you individually make a political contribution. We also forbid any pressure, direct or implied, that infringes upon your right to render services to candidates or parties of your choice.

Environment. We comply with all laws and regulations regarding the use and preservation of our land, air and water.

## **Workplace Policies and Principles**

Equal Employment Opportunity and Discrimination. We offer equal opportunity through affirmative action to our employees and applicants without regard to race, color, religion, national or ethnic origin, sex, age, disability, veteran status, marital status, sexual orientation or any other legally protected category. You may not discriminate or make any employment-related decision based on any of these factors.

Harassment. We do not tolerate sexual harassment of any of our employees. We also do not tolerate harassment of any employee because of his or her race, color, religion, national or ethnic origin, sex, age, disability, veteran status, citizenship status, marital status, sexual orientation or any other legally protected category.

Protecting Company Assets. Each employee is responsible for protecting our property, which means you should use our property only for legal and ethical activities and in compliance with our policies. You should protect our property from loss, theft and damage. Assets such as facilities, desks, computers, telephones and cell phones, fax machines, copy machines, supplies and similar property are intended primarily for our business use. We have the right to monitor, in accordance with applicable laws, all of our assets, including email, voicemail and contents of other provided media, and to review the information on them, and to conduct searches or inspections of employees' personal belongings on our property.

Privacy of Employee Records. We respect the privacy rights of employees with respect to certain personal and personnel information. Employee personnel files and certain other employee records are confidential and may not be disclosed except to appropriate personnel on a need-to-know basis or when required by law.

Confidential Information. Each employee is to maintain the confidentiality of all private and proprietary information of Cray and third parties. Discussions regarding private or proprietary information with others outside Cray are prohibited except pursuant to signed non-disclosure agreements covering the subject matter. No information of a private, proprietary or otherwise confidential nature shall be placed or posted on publicly accessible web pages or otherwise disclosed outside of Cray. Contact the legal department to obtain appropriate non-disclosure agreements or to review such agreements you receive from other parties.

Controlled Substances. The unlawful possession, use or distribution of controlled substances is prohibited while on Cray property, time, travel or business or during other Cray-related activities. No one may report to work under the influence of alcohol or unlawful drugs.

## **Compliance and Waivers**

Compliance. All Cray directors, officers and employees must comply with this Code. Managers are to develop and maintain awareness on the part of their employees of the importance of adhering to the Code.

Periodically, certain employees, supervisors and officers will be required to certify that they have received and read this Code and have brought it to the attention of everyone under their supervision whose act or failure to act could contribute to a violation, and whether they have any knowledge of violations that have not been reported appropriately.

Violations. Violations of this Code may lead to disciplinary action up to and including suspension either with or without pay, and termination of employment. Such violations may require restitution and/or may lead to civil or criminal action.

The Chief Executive Officer and the General Counsel shall be responsible for determining whether there has been a breach of the Code by any employee. The Board of Directors will be responsible for determining whether there has been a breach of the Code by any director or executive officer. If a violation is discovered, appropriate, prompt and corrective action will be taken.

Waivers. Waivers of this Code generally will not be granted except when they are appropriate due to compelling circumstances. Any waiver will be limited and qualified so as to protect Cray to the greatest extent possible. Any waiver of this Code for employees may be authorized only by the Chief Executive Officer and General Counsel. Any waiver for an executive officer or director may be authorized only by the Board of Directors and must be promptly disclosed publicly, along with the reasons for the waiver, on the Cray public website and/or through a filing with the SEC, in accordance with applicable rules.

## **Reporting Concerns**

We want to be certain that all persons subject to this Code fully understand the Code and are able to seek advice. You are encouraged to ask questions and seek advice before acting, rather than after.

If you are unsure of what this Code or a policy requires of you, if you are concerned that Cray may be in violation of the law or if you believe that this Code or any policy, guideline or provision of our employee handbook may be or is being violated, you should seek advice from your manager. If you are uncomfortable raising your concerns with your manager, or if you are not satisfied with the resolution by your manager, you may contact any higher supervisor, the General Counsel or any other officer, or use Ethicspoint, our third-party reporting service on either a disclosed or anonymous basis.

Anonymous Reporting. At any time you may report any of your concerns anonymously, including concerns about accounting, internal accounting controls, auditing,

financial or related matters, or other violations of this Code or our policies. This service is operated by Ethicspoint Inc., an external third-party vendor that has trained professionals to record your concerns in confidence, and report them to the appropriate individuals within Cray, including the Audit Committee of the Board of Directors. You may contact Ethicspoint to obtain clarification if you are uncertain whether a particular situation violates this Code or any of our policies.

Ethicspoint, however, should not be used for immediate threats to life or property – these reports should be directed to 911.

To file a report with Ethicspoint, you simply need to:

1. Access the Ethicspoint system
2. Complete a report, and
3. Follow-up two business days later.

To access the Ethicspoint system, you may use any one of three convenient channels of communication:

1. Inside Cray – you may click on the Ethicspoint icon on the “Inside Cray” intranet site. You will be linked automatically to the Ethicspoint secure Web site. Once there, click on “File a Report.”
2. Public Internet – from any computer having internet access (e.g., at work, home, public library or neighbors), go to: [www.ethicspoint.com](http://www.ethicspoint.com), and click on “File a Report.”
3. Telephone – call the Ethicspoint toll-free hotline at 1-866-384-4277. A compliance specialist will assist you in entering your report.

To complete a report, simply follow the on-screen or compliance specialist instructions, being as thorough as you can.

1. Specify the kind of report you want to make from the choices available.
2. Please read or listen to the anonymity information very carefully; this will help ensure that you do not compromise your identity during the reporting process. Click on or say “I agree.”
3. Complete the report, providing information about the incident, including;
  - **Who** – the persons involved, including titles,
  - **What** – what specifically occurred,
  - **Where** – the location of the incident, and
  - **When** – the time and duration of the incident.
4. Create a Password. Then the Ethicspoint system will generate an identification code called a “Report Key.” Write down both the Password and Report Key and keep them in a safe place. You will need them later to follow-up or if you want to review or amend your report.

Follow-up two business days after you complete your report by returning to the Ethicspoint system through Inside Cray, the Public Internet or the toll-free telephone.

1. This time click on (or ask to perform) a “Follow-Up.”
2. Provide your Password and Report Key.
3. Elect to review report details, respond to any questions and add information.

- To review your report, click “Review Report Details” or ask the compliance specialist.
  - If there are any questions, answer the questions verbally or type in the question boxes and click “Submit.”
  - Add information either verbally or by using the “Submit New Information” box.
4. If you have agreed to participate in an “EthicsChat,” click “Chat About This Report” at the specified time, type your comments in the field at the bottom of the window and click “Submit.”  
*(An “EthicsChat” is a real-time communication between you and a Cray representative to clarify details and answer questions. It also is confidential and anonymous.)*
  5. You may return regularly to review your report, answer questions and add information.

No Retaliation. We will take appropriate disciplinary action against anyone who retaliates, directly or indirectly, or encourages others to do so, against anyone who reports in good faith a violation or suspected violation of the law, this Code or any of our policies, guidelines or provisions of our employee handbook. We want you to communicate your concerns and report misconduct without fear of retribution. If any employee makes a knowingly false report for the purpose of harming another individual, however, that employee will be subject to disciplinary action.

## **Administration**

The Board of Directors adopted this Code of Business Conduct on January 28, 2004. The Board is responsible for overseeing the administration and enforcement of the Code, but may delegate responsibility of the Code to a committee of the Board. The Board shall take reasonable steps to monitor and audit compliance with the Code. The Chief Executive Officer, the General Counsel and the Director of Human Resources may delegate some of their duties under this Code to other individuals as appropriate. The Board, acting through the Audit Committee, periodically shall review the Code and recommend changes when desirable or necessary.

Only the Board may amend or change this Code. A copy of the most current version of the Code shall be posted on our internal and external websites, made available in print to any shareholder who requests a copy, and filed with the SEC as required. The availability of this Code will be stated in our annual report to shareholders.

**Acknowledgement**

I confirm receipt of the Cray Inc. Code of Business Conduct, have read the Code, understand my responsibilities under the Code and have brought this Code to the attention of everyone under my supervision whose act or failure to act could contribute to a violation. I am not aware of any violations of the Code, except as disclosed below in writing:

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Sign, date and return this page only to the Director of Human Resources at the Seattle office by mail or fax (206-701-2500).