



INNOVATIVE SOLUTIONS AND SUPPORT INC, CODE OF BUSINESS CONDUCT AND ETHICS

Effective May 4, 2004

Introduction

The reputation and integrity of Innovative Solution and Support, Inc. ("the Company") are valuable assets that are vital to the Company's success. Each director, officer, employee, contractor and consultant of the Company is therefore responsible for conducting the Company's business in a manner that demonstrates a commitment to the highest standards of integrity, honesty and compliance with law.

This Code of Business Conduct and Ethics (this "Code of Conduct") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide directors, officers and employee of the Company. All of our directors, officers and employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

The purpose of this Code is to focus on areas of ethical or legal risk, provide guidance to help recognize and deal with ethical and legal issues, provide mechanisms to report unethical or illegal conduct, and foster a culture of honesty and accountability. Dishonest or unethical conduct or conduct that is illegal will constitute a violation of the Code, regardless of whether such conduct is specifically referenced herein.

The Company's Board of Directors is ultimately responsible for the implementation of this Code of Conduct. The Board has designated the Company's Chief Executive Officer, Geoffrey S. M. Hedrick, to be the compliance officer (the "Compliance Officer") for the implantation, interpretation and administration of this Code.

Questions regarding the application or interpretation of this Code of Conduct are inevitable. Employees should feel free to direct questions to the Compliance Officer. In addition, employees who observe, learn of, or, in good faith, suspect a violation of the Code, must immediately report the violation in good faith will not be subject to retaliation of any kind. Reported violations will be investigated and addressed promptly and will be treated confidentially to the extent possible.

Statements in this Code of Conduct to the effect that certain actions may be taken only with "Company approval" will be interpreted to mean that appropriate offices or Board of Directors must give prior written approval before the proposed action may be undertaken. This Code of Conduct should be read in conjunction with the Company's Employee Handbook and other policies, policy statements or procedures adopted by the Company from time to time.

Employee will receive periodic training on the contents and importance of this Code of Conduct and related policies and the manner in which violations must be reported and waivers must be requested. Each employee of the Company will be asked to certify on an annual basis that he/she has read, is familiar with, and is in full compliance with, this Code of Conduct and related policy statements.



1. Compliance with Laws

A variety of laws apply to the Company and its operations, and some carry criminal penalties. These laws include, among other, regulation of government, contracts, antitrust laws, securities laws, and state laws relating to duties owned by or owed by directors and officers. Examples of criminal violation of the law include: misrepresenting products, stealing, embezzling, misapplying corporate or bank funds, using threats, physical force or other unauthorized means to collect money, making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payment, whether corporate or personal, of cash or other items of value that are intended to influence the judgment or actions of political candidates, government officials or businesses in connection with any of the Company's activities. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate, address and report, as appropriate, noncriminal violations.

Obedying the law, both in letter and in spirit, is the foundation on which this Company's ethical standards are built. All directors, officers and employees must obey the laws of the United States and the cities and states in which we operate. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors.

2. Ethical Conduct

Beyond compliance with laws, the Company requires that all its directors, officers and employees act in a manner which meets the highest standards of ethical behavior. This includes the obligation to avoid any actual or apparent conflicts of interest in personal and professional relationships. A more detailed discussion regarding conflicts of interest is set forth in Section 4 of this Code.

The honesty and integrity of our business conduct must not be compromised. The Company will not condone ethical violations for the sake of personal gain, personal advantage, expediency, or perceived business advantage.

3. Accounting, Auditing Matters, and Public Disclosure Obligation

The Company's requirement that directors, officers and employees follow the highest ethical standards applies directly to all actions which involve business accounting, financial reporting, internal accounting controls, auditing matters, and public disclosure obligations. In addition full, fair accurate, timely, and understandable disclosure is required in all reports and documents that the Company files with or submits to, the Securities Exchange Commission ("SEC") and in any other public communications.

Employees subject to this requirement include the principal executive officer, the principal financial officer, the controller or principal accounting officer, and any person who performs a similar function. However, the Company expects that all employees who participate in the



preparation of any part of the Company's financial statements, SEC disclosures or other public communications will follow the following guidelines.

- Act with honesty and integrity, avoiding violations of this Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships;
- Disclose to the Compliance Officer any material transaction or relationship that reasonable could be expected to give rise to any violations of this Code, including actual or apparent conflicts of interest with the Company;
- Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable;
- Endeavor to ensure full, fair, timely, accurate and understandable disclosure in the Company's periodic reports filed with the SEC and other public communications;
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts or allowing your independent judgment to be subordinated;
- Respect the confidentiality of information acquired in the course of your work except where you have Company approval or where disclosure is otherwise legally mandated.
- Confidential information acquired in the course of your work will not be used for personal advantage;
- Share and maintain skills important and relevant to the Company's needs;
- Achieve responsible use of and control over all assets and resources employed or entrusted to you; and
- Record or participate in the recording of entries in the Company's books and records that are accurate to the best of your knowledge.
- The CEO and each senior financial officer shall promptly bring to the attention of the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal control.
- The CEO and each senior financial officer shall promptly bring to the attention of the CEO and to the Audit Committee any information he or she may have concerning any violation of the Company's Code of Business Conduct and Ethics, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.



4. Conflicts of Interest

Any direct or indirect conflict of interest between the Company and any director, officer or employee is prohibited unless otherwise consented to by the Company. The Company believes that it is in its best interest and is consistent with the obligations of directors, officers and employees to the Company to establish the policy that all business decisions will reflect independent judgment and discretion uninfluenced by any considerations other than those honestly believed to be in the best interests of the Company and its stockholders.

Any decision will be deemed to be in conflict with this Code and the interest of the Company if, in the course of affiliation with the Company, the director's, officer's, or employee's judgment and discretion is or may be influenced by considerations of personal gain or benefit to a third party, whether or not affiliated with the director, officer or employee. The divided loyalty that is present when a director, officer or employee has a conflict of interest could potentially lead to serious problems for the Company and could be grounds for disciplinary action or termination by the Company.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or the Compliance Officer. Any director, officer or employee who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor or the Compliance Officer or follow the procedures described in Sections 6-7 of this Code.

It is not possible to describe every situation or occurrence that could lead to a conflict of interest between a director, officer or employee and the Company. The following events are intended to describe, by way of example, situations that could occur that constitute or could lead to a conflict of interest with the Company:

- **Relationships with Competitors, Customers or Suppliers:** It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer, or supplier. Employees are not allowed to work for a competitor as a consultant or board member. The best policy is to avoid any direct or indirect business connection with the Company's competitors, customers or suppliers, except at the direction of the Company. Stock ownership and other financial interest or participation in any competitor, customer or supplier of the Company will need to be reported to the Company's Compliance Officer.
- **Indirect Interest and Relationships:** A conflict of interest can arise because of the business activities of an affiliate of the director, officer or employee. The term affiliate includes close family members and family members who live in the same household as the director, officer or employee. A director, officer or employee has a potential conflict of interest whenever an affiliate has a significant interest in a transaction or a significant relationship with any customer, supplier or competitor of the Company. The director, officer, or employee should not make or influence any decision which could directly or indirectly benefit his or her affiliate and, in order to protect the director, officer, or employee and the Company from the appearance of a conflict of interest, all relationships of this nature will need to be reported to the Company's Compliance Officer.



- **Gifts, Loans and Entertainment:** A director, officer or employee should not accept gifts (including entertainment) from competitors or from customers, suppliers anyone else having or seeking business with the Company, other than noncash gifts of nominal value, which confirm to generally accepted business practices or are generally used for promotional purposes by the giver, or accept loans from any person having or seeking business with the Company (other than loans from banks or financial institutions at prevailing market rates and terms). In short, the purpose of business gifts and entertainment in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should be offered, given, provided or accepted by any Company director, officer or employee or their affiliates unless it: (i) is not a cash gift, (ii) is consistent with customary business practices, (iii) is not excessive in value, (iv) cannot be construed as a bribe and is not reasonable calculated to influence a decision, and (v) does not violate any laws or regulations. Please discuss with your supervisor or the Compliance Officer any gifts or proposed gifts which you are not certain are appropriate.
- **Business Related Function:** Participation in business related functions is permitted, including the acceptance of lunches or other meals. However, each director, officer or employee should exercise care to ensure that such functions are necessary and related to the conduct of business on behalf of the Company. If in doubt, the Compliance officer should be consulted.
- **Outside Business Activities:** As a general rule the Company does not allow its employees to participate or engage in business outside of their employment with the Company. As a general rule, participation on a part-time or other basis in any outside business or employment will be a conflict of interest if the officer's or employee's participation in that business could interfere with his or her ability to devote proper time and attention to his or her duties or employment with the Company. Officers and employees are not permitted to indicate or imply Company sponsorship or support of an outside business activity, without the Company's prior approval.
- **Nonbusiness Activities:** Participation in the activities of a trade association, professional society, charitable institution or governmental institution on a noncompensated basis or holding a part-time public office (with or without compensation) will not generally create a conflict of interest in violation of this Code. However, unless the Company's prior consent is obtained, such activities are to be conducted in a manner that does not involve the Company or its assets or facilities, and does not create the appearance of Company involvement or endorsement. If any director, officer or employee is unsure of his or her particular situation, the Compliance Officer should be consulted.
- **Business Partners:** No director, officer or employee may recommend any third party for work for the Company on a project, transaction or otherwise where the third party's compensation is paid on the basis of any kickback or fee sharing arrangement with the director, officer or employee, nor may a director, officer, or employee recommend any third party without full disclosure and written approval by the Chief Executive Officer or Compliance Officer, if such third party has any familial or pre-existing monetary relationship with the director, officer or employee or if such director, officer or employee has an equity or stock ownership position in such third party.



- **Political Contributions:** No employee shall, in his capacity as an employee, make any loan, donation, contribution or payment to a political party, candidate or political action committee, for or on behalf of the Company or any project or development in which the Company is engaged, nor shall an employee of the Company reimburse any individual who does. (Nothing contained in this tenet shall prohibit an employee from taking any of the above actions in his or her name, provided that the action is exclusively on the employee's own accord and is not an indirect means of accomplishing one of the prohibited actions).
- **Personal Use of Company Property and Company Information:** It is against Company policy for any officer or employee to use or divert any company property, including services of other employees and Company Information, for his or her own advantage or benefit or for use in outside business activities or non-business activities unrelated to the Company, or use the Company's letterhead when writing personal correspondence.
- **Misappropriation of Business or Investment Opportunities:** The Company strives to hire the most outstanding people available, those capable of working successfully without the rigid rules and structures. Such people are naturally creative, innovative, and committed to doing the kind of job that is required and expected. Directors, officers, and employees are prohibited from taking direct or indirect advantage of any business opportunity which is received by reason of their relationship with the Company and in which the Company may be interested, unless such opportunity has been presented for consideration by the Company, has been rejected by the Company, and such activity is not prohibited under other sections of the Code.

5. Waivers of the Code of Business Conduct and Ethics

Request for a waiver of a provision of the Code of Conduct must be submitted in writing to the Compliance Officer for appropriate review, and an officer or appropriate Board committee will decide the outcome. For conduct involving an executive officer or Board member, only the Board of Directors or the Audit Committee of the Board has the authority to waive a provision this Code. In addition, the Audit Committee must review and approve any "related party" transaction as defined in item 404(a) of Regulation S-K under the Securities Exchange Act of 1934, as amended, before it is consummated. In the event of an approved waiver involving the conduct of an officer or Board member, appropriate and prompt disclosure must be made to the Company's stockholders as and to the extent required by applicable exchange listing standards or any other regulation.

6. Report/Investigation Procedures

Any employee who reasonably believes that there has been a material violation of this Code of Conduct should report it immediately to the Compliance Officer. The Compliance Officer (or his/her designee) will promptly investigate the matter. The investigation will be handled discreetly and appropriately, and the information will be disclosed to others only on a need-to-know basis and as required by law. There will be no adverse action taken against employees who, in good faith, report violations of this Code of Conduct or who participate in the



investigation. If the investigation leads to a conclusion that a material violation of the Code of Conduct has occurred, the Company will take appropriate corrective action, which may include removal from a position as a director or officer, and dismissal as an employee of the Company.

The Company recognizes the potentially serious impact of a false accusation. Employees are expected as part of the ethical standards, required by this Code of Conduct to act responsibly in making complaints. Making a complaint without a good faith basis is itself an ethical violation. Any employee who makes a complaint in bad faith will be subject to appropriate corrective action including dismissal.

7. Procedures for Submitting Confidential, Anonymous Complaints Regarding Accounting and Auditing Matters

As an alternative to the procedures defined in Section 6, any employee who reasonably believes that there has been a material violation of this Code of Conduct caused by questionable accounting, financial or auditing matters, disclosure matters, potential violations of securities laws or fraud against stockholders, has the right to submit a confidential anonymous complaint to the Compliance Officer. The complaint should be made in written form and provide sufficient information so that a reasonable investigation can be conducted. Additional information concerning the procedures to be followed for this type of complaint is set forth in the "Audit Committee Procedures for Reporting and Investigating Complaints."

8. Violations of the Code

The (CEO/Compliance Officer) shall determine or designate appropriate persons to determine appropriate actions to be taken in the event of violations of the Code of Business Conduct and Ethics, provided however, that the Board of Directors shall determine actions to be taken in connections with violation of the Codes of Business Conduct and Ethics by members of the Board of Directors or Executive Officers of the Company. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code of Business Conduct and Ethics and to these additional procedures, and shall include written notices to the individual involved that the Company has determined that there has been a violation, censure by the Board, demotion or reassignment of the individual involved, suspension with or without pay or benefits and termination of the individual's employment. In determining what action is appropriate in a particular case, the (CEO/Compliance Officer) or Board of Directors shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action; and whether or not the individual in question had committed other violations in the past.