

INNOVATIVE SOLUTIONS & SUPPORT INC
Form DEF 14A
February 04, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Innovative Solutions and Support, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (3) Filing Party:
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INNOVATIVE SOLUTIONS AND SUPPORT, INC.

720 Pennsylvania Drive
Exton, Pennsylvania 19341
610-646-9800

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders of Innovative Solutions and Support, Inc. (the "Company").

Date: Thursday, April 17, 2014

Time: 10:00 a.m., Eastern Standard Time

Place: 720 Pennsylvania Drive, Exton, Pennsylvania 19341

Purposes of the Meeting:

To elect two Class II directors to the Board of Directors for terms of three (3) years, or until their respective successors have been duly elected and qualified;

To hold a non-binding vote on executive compensation.

To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2014; and

To transact any other business that may properly come before the meeting.

Record Date:

January 17, 2014 is the record date for the meeting. This means that holders of the Company's common stock at the close of business on that date are entitled to:

receive notice of the meeting; and

vote at the meeting and any adjournment or postponement of the meeting.

In the event that the meeting is adjourned for one or more periods totaling at least 15 days due to the fact that there is not a proper quorum, the shareholders entitled to vote who attend the adjourned meeting, even if there is not a proper quorum, shall constitute a quorum for the purpose of acting upon any of the named matters above.

The Company considers your vote important and encourages you to vote as soon as possible.

/s/ GEOFFREY S.M. HEDRICK

Chairman of the Board and Chief Executive Officer

February 4, 2014

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INNOVATIVE SOLUTIONS AND SUPPORT, INC.
720 Pennsylvania Drive
Exton, Pennsylvania 19341
610-646-9800

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INNOVATIVE SOLUTIONS AND SUPPORT, INC.

**720 Pennsylvania Drive
Exton, Pennsylvania 19341
610-646-9800**

PROXY STATEMENT for Annual Meeting of Shareholders April 17, 2014

The Board of Directors (the "Board") of Innovative Solutions and Support, Inc. ("ISS" or the "Company") is soliciting your proxy to vote your shares at the Company's 2014 annual meeting of shareholders (the "Annual Meeting"). The Annual Meeting will be held on April 17, 2014 at 10:00 a.m., local time, at the Company's corporate offices at 720 Pennsylvania Drive, Exton, Pennsylvania. ISS intends to mail a Notice of Internet Availability of Proxy Materials (sometimes referred to as the "Notice"), and to make this Proxy Statement available to its shareholders of record entitled to vote at the Annual Meeting, on or about February 4, 2014.

ABOUT THE MEETING

Your vote is important.

In accordance with the rules and regulations adopted by the Securities and Exchange Commission ("SEC"), instead of mailing a printed copy of the proxy materials to each shareholder of record, the Company may now furnish proxy materials including this Proxy Statement, the proxy card, and the Company's Annual Report on Form 10-K for the year ended September 30, 2013 ("Annual Report") to the Company's shareholders by providing access to such documents on the Internet. Shareholders will not receive printed copies of the proxy materials unless requested. Instead, the Notice will instruct shareholders as to how they may access and review all of the proxy materials. The Notice also instructs shareholders how to submit a proxy through the Internet. If you would like to receive a paper copy or e-mail copy of your proxy materials, you should follow the instructions for requesting such materials included in the Notice. ISS will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials, and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for any Internet access charges you may incur.

You may revoke this proxy at any time before it is voted by written notice to the Chief Financial Officer of the Company, by submission of a proxy bearing a later date, or by casting a ballot at the Annual Meeting. Properly executed and delivered proxies that are received before the Annual Meeting's adjournment will be voted in accordance with the directions provided or, if no directions are provided, your shares will be voted by one of the individuals named on your proxy card as recommended by the Board. If you wish to give a proxy to someone other than those named on the proxy card, you should cross out those names and insert the name(s) of the person(s), not more than three, to whom you wish to give your proxy.

If you want to vote in person at the Annual Meeting and you hold shares of Company common stock in street name, you must obtain a proxy card from your broker and bring that proxy card to the Annual Meeting, together with a copy of a brokerage statement reflecting your common stock ownership as of the record date.

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Who can vote?

You can vote if, as of the close of business on January 17, 2014, you were a shareholder of record of the Company's common stock. On that date, 16,894,531 shares of ISS common stock were outstanding and entitled to vote. The Company does not have any other classes of voting stock outstanding other than ISS common stock. Each share of common stock is entitled to one vote, and there are no cumulative voting rights when voting for directors. A list of shareholders eligible to vote will be available at the offices of Innovative Solutions and Support, Inc., 720 Pennsylvania Drive, Exton, Pennsylvania 19341 beginning February 4, 2014. Shareholders may examine this list during normal business hours for any purpose relating to the Annual Meeting.

If you and other residents at your mailing address own shares of common stock in "street name," your broker or bank may have notified you that your household will receive only one annual report and proxy statement, or one notice of internet availability of proxy materials, as applicable, for each company in which you hold stock through that broker or bank. This practice is known as "house-holding." Unless you responded that you did not want to participate in "house-holding," you were deemed to have consented to the process. Each shareholder will continue to receive a separate proxy card or voting instruction card.

If you did not receive an individual copy of this year's proxy statement or annual report, ISS will send a copy to you if you address a written request to the Company's Chief Financial Officer, Ronald C. Albrecht, 720 Pennsylvania Drive, Exton, Pennsylvania 19341, telephone (610) 646-9800.

If you would like to receive your own set of the Company's future annual report and proxy statement, or if you share an address with another Company shareholder and together both of you would like to receive only a single set of the Company's annual disclosure documents, you should contact your broker or bank or you may contact the Company at the above address and phone number.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purpose of consideration and action on the matter. Abstentions from voting and broker "non-votes" will be counted toward a quorum. A broker "non-vote" occurs when the nominee holding a shareholder's shares does not vote on a particular proposal because the nominee does not have discretionary voting power on that item and has not received instructions from the shareholder.

What vote is required and what is the method of calculation?

In accordance with the Company's Amended and Restated Bylaws, an affirmative vote of a majority of the votes properly cast at the Annual Meeting is required for approval of all matters. Abstentions or broker "non-votes" will not be counted for or against matters to be acted on at the Annual Meeting.

What matters will be voted on?

The Board does not intend to bring any other matters before the Annual Meeting except the matters listed in the notice, and the Board is not aware of anyone else who will submit any other matters to be voted on. However, if any other matters properly come before the Annual Meeting, the people named on the proxy card, or their substitutes, will be authorized to vote on those matters in their own judgment.

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How do I vote by proxy?

Most shareholders have three ways to vote by proxy: by telephone, by the Internet, or by return of the proxy card. To vote by telephone or by the Internet, you must follow the instructions set forth on the Notice that you receive. To vote by mail, you must sign and date each proxy card you receive, mark the boxes indicating how you wish to vote, and return the proxy card. Do not return the proxy card if you vote by the Internet or by telephone.

Can I change my vote after I return my proxy card?

Yes. You can change or revoke your proxy at any time before the Annual Meeting either by notifying the Company's Secretary and Chief Financial Officer in writing or by sending another executed proxy dated later than the first proxy card. Your attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares of common stock that you hold beneficially, you may change or revoke your proxy by submitting new voting instructions to your broker or nominee.

Can I vote in person at the Annual Meeting instead of voting by proxy?

Yes. However, the Company encourages you to vote by proxy to ensure that your shares of common stock are represented and voted. If you attend the Annual Meeting in person, you may then vote in person even though you returned your proxy card.

Who pays for this proxy solicitation?

The Company will pay all costs in connection with the Annual Meeting, including the cost of preparing, assembling, and mailing the Notice, Proxy Statement, and proxy card, as well as handling and tabulating the proxies returned. In addition to the use of mail, proxies may be solicited by directors, officers and employees of the Company, without additional compensation, in person or by telephone or other electronic means. The Company will reimburse brokerage houses and other nominees for their expenses in forwarding proxy material to beneficial owners of the Company's common stock.

Who can help answer your questions?

If you have questions about the Annual Meeting or would like additional copies of this Proxy Statement, you should contact the Company's Chief Financial Officer, Ronald C. Albrecht, 720 Pennsylvania Drive, Exton, Pennsylvania 19341, telephone (610) 646-9800.

Annual Report

On written request, ISS will provide, without charge, a copy of its Annual Report (including a list briefly describing the exhibits thereto), filed with the SEC, to any record holder or beneficial owner of its common stock on January 17, 2014, the record date, or to any person who subsequently becomes such a record holder or beneficial owner. Requests should be directed to the attention of the Company's Chief Financial Officer at the address set forth above.

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership, as of January 17, 2014, of each person whom the Company knew to be the beneficial owner of more than 5% of its common stock. To the knowledge of the Company, each of the shareholders named below has sole or shared power to vote or direct the vote of such shares of common stock or the sole or shared investment power with respect to such shares of common stock, unless otherwise indicated. The

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information provided in the table is based on the Company's records, information filed with the SEC and information provided to the Company.

Name of Beneficial Owner	Common Stock	
	Number of Shares	Percent of Class(1)
Geoffrey S. M. Hedrick(2)	3,535,567	20.9%
Federated Investors, Inc.(3)	2,449,549	14.5%
WealthTrust Axiom LLC(4)	1,481,464	8.8%
Morgan Stanley(5)	937,328	5.6%
BlackRock Inc.(6)	894,487	5.3%

- (1) As used in this table, beneficial ownership means the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have beneficial ownership of any security that such person has the right to acquire within 60 days after such date. Percentage ownership is based upon 16,894,531 shares of common stock outstanding as of January 17, 2014.
- (2) Mr. Hedrick's address is c/o Innovative Solutions and Support, Inc., 720 Pennsylvania Drive, Exton, PA 19341. Includes 408 shares owned by Mr. Hedrick's spouse.
- (3) Based solely on Schedule 13G/A filed February 12, 2013. Federated Investors, Inc.'s address is Federated Investors Tower, Pittsburgh PA 15222-3779.
- (4) Based solely on Schedule 13G/A filed on February 1, 2013. WealthTrust Axiom LLC's address is 4 Radnor Corp Ctr., Suite 520, Radnor, PA 19087.
- (5) Based solely on Schedule 13G filed on February 14, 2013. Morgan Stanley's address is 1585 Broadway, New York, NY 10036.
- (6) Based solely on Schedule 13G filed on January 29, 2014, BlackRock Inc.'s address is 40 East 52nd Street, New York, NY 10022.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership as of January 17, 2014, of (i) each director, (ii) the chief executive officer and each other executive officer, and (iii) all the directors and executive officers as a group. Each of the shareholders named below has sole voting and investment power with respect to such shares, unless otherwise indicated. The information provided in the table is based on the Company's records, information filed with the Securities and Exchange Commission and information provided to the Company.

Name of Beneficial Owner	Common Stock	
	Number of Shares	Percent of Class(1)
Geoffrey S. M. Hedrick	3,535,567	20.9%
Shahram Askarpour(2)	348,200	2.1%
Robert E. Mittelstaedt, Jr.	167,918	*
Winston J. Churchill	109,614	*
Robert H. Rau	96,583	*
Glen R. Bressner	67,313	*
Robert A. Mionis	31,150	*
Ronald C. Albrecht(3)	25,060	*
All executive officers and directors as a group (8 persons)	4,381,405	25.9%

*

Less than 1%.

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- (1) As used in this table, beneficial ownership means the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have beneficial ownership of any security that such person has the right to acquire within 60 days after such date. Percentage ownership is based upon 16,894,531 shares of common stock outstanding as of January 17, 2014.
- (2) Includes 1,200 common shares owned beneficially by Dr. Askarpour, 180,333 common shares which Dr. Askarpour has the right to acquire pursuant to vested stock options as of January 17, 2014, and 166,667 options to purchase common shares which will vest within 60 days from such date.
- (3) Includes 20,000 common shares which Mr. Albrecht has the right to acquire pursuant to vested stock options.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about ISS common stock that may be issued upon the exercise of options and rights under all of the Company's existing equity compensation plans and arrangements as of September 30, 2013, including the 1998 Stock Option Plan (the "1998 Plan"), and the 2009 Stock-Based Incentive Compensation Plan (the "2009 Plan").

Plan Category	Number of Securities to be issued upon exercise of outstanding options warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in second column)
Equity compensation plans approved by security holders	837,399	\$ 4.97	358,785
Equity compensation plans not approved by security holders			
Total	837,399	\$ 4.97	358,785

In the fiscal years ended September 30, 2013, 2012 and 2011, awards issued to non-employee directors under the Company's existing equity compensation plan and arrangements were 50,250, 42,110 and 43,385 shares, respectively.

2009 Stock-Based Incentive Compensation Plan

The Company's 2009 Plan was approved by the Company's shareholders at the Company's Annual Meeting of Shareholders held on March 12, 2009. The 2009 Plan authorizes the grant of stock appreciation rights, restricted stock, options and other equity-based awards under the 2009 Plan (collectively referred to as "Awards"). Options granted under the 2009 Plan may be either "incentive stock options" as defined in section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified stock options, as determined by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee").

Subject to an adjustment necessary upon a stock dividend, recapitalization, forward split or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, extraordinary or unusual cash distribution, or similar corporate transaction or event, the maximum number of shares of common stock available for awards under the 2009 Plan is 1,200,000, all of which may be issued pursuant to Awards of incentive stock options or nonqualified stock options. In addition, the 2009 Plan provides that no more than 300,000 shares may be awarded in any calendar year to any employee as a performance-based award under Section 162(m) of the Code. At September 30, 2013 there were 358,785 shares of common stock available for Awards under the plan.

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If any Award is forfeited, or if any option terminates, expires or lapses without being exercised, the related shares of common stock subject to such Award will again be available for future grant. Any shares tendered by a participant in payment of the exercise price of an option or the tax liability with respect to an Award (including, in any case, shares withheld from any such Award) will not be available for future grant under the 2009 Plan. If there is any change in the Company's corporate capitalization, the Compensation Committee must proportionately and equitably adjust the number and kind of shares of common stock which may be issued in connection with future Awards, the number and type of shares of common stock covered by Awards then outstanding under the 2009 Plan, the number and type of shares of common stock available under the 2009 Plan, the exercise or grant price of any Award, or if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, provided that no adjustment may be made that would adversely affect the status of any Award that is intended to be a performance-based Award under Section 162(m) of the Code, unless otherwise determined by the Compensation Committee. In addition, the Compensation Committee may make adjustments in the terms and conditions of any Awards, including any performance goals, in recognition of unusual or nonrecurring events affecting the Company or any subsidiary, or in response to changes in applicable laws, regulations or accounting principles, provided that no adjustment may be made that would adversely affect the status of any Award that is intended to be a performance-based Award under Section 162(m) of the Code, unless otherwise determined by the Compensation Committee.

The 2009 Plan will terminate on March 12, 2019, unless earlier terminated by the Board. Termination will not affect awards outstanding at the time of termination. The Board may amend, alter, suspend, discontinue or terminate the 2009 Plan without shareholder approval, provided that shareholder approval is required for any amendment which (i) would increase the number of shares subject to the 2009 Plan; (ii) would decrease the price at which awards may be granted; or (iii) would require shareholder approval by law, regulation, or the rules of any stock exchange or automated quotation system.

1998 Stock Option Plan

The Company's 1998 Plan was adopted in order to recognize the contributions made by the Company's employees, directors, consultants and advisors, to provide such persons with additional incentives to devote their efforts to the Company's future success and to improve the Company's ability to attract, retain and motivate individuals through the receipt of Company stock options. The maximum number of shares of the Company's common stock available under the 1998 Plan was 3,389,025 (after giving effect to stock splits). The 1998 Plan authorized the grant of "incentive stock options" (within the meaning of Section 422 of the Code) and non-qualified stock options, such options to vest and become exercisable as specified in separate written agreements between the Company and the option recipient. Unless otherwise specified in such agreement, all outstanding options become fully vested and exercisable upon a change in control. The 1998 Plan expired on November 13, 2008; therefore, no further options can be awarded under the plan.

By unanimous consent of the Company's Board of Directors on January 25, 2013, the applicable option exercise price of each outstanding option to purchase common stock was reduced by \$1.50 per share pursuant to the terms of the 1998 Plan or the 2009 Plan (each as defined above), as applicable, to offset the dilutive impact of the special cash dividend paid by the Company on December 27, 2012 to common shareholders of record on December 17, 2012.

2003 Restricted Stock Plan

The Company's Restricted Plan was adopted in order to provide non-employee directors with restricted stock grants that would encourage them to contribute to the growth of the Company and benefit the Company's shareholders. The maximum number of shares of common stock of the Company's stock available under the Restricted Plan was 1,500,000 (after giving effect to stock splits).

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Each non-employee director was eligible to receive an award of restricted stock on an annual basis, with such award vesting over the course of the fiscal year in equal installments. As of January 17, 2014, no shares of common stock remain available for grants of restricted stock under the Company's Restricted Plan. However, the Company has continued to make annual grants to non-employee directors under the 2009 Plan.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's officers (as defined under Section 16(a) of the Exchange Act), directors and persons who own greater than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Based solely on a review of the forms the Company has received and on written representations from certain reporting persons that no such forms were required for them, the Company believes that, except as set forth below, during fiscal year 2013, the officers, directors and 10% beneficial owners of the Company complied with all of the applicable Section 16(a) of the Exchange Act filing requirements:

Geoffrey S. M. Hedrick filed a late Form 4 on February 4, 2014 reporting a bona fide gift of shares of the Company's common stock that occurred on July 10, 2013 and his indirect beneficial ownership of shares of the Company's common stock owned of record by his wife.

ELECTION OF DIRECTORS

(Item 1 on Proxy Card)

At the Annual Meeting, the shareholders will elect two Class II directors to hold office until the annual meeting of shareholders in 2017, or until their respective successors have been duly elected and qualified. The Board is divided into three classes serving staggered three-year terms, the term of one class of directors to expire each year. The current term of the Class II directors expires at the Annual Meeting.

Upon the recommendation of the Nominating & Corporate Governance Committee of the Board (the "Nominating & Corporate Governance Committee"), the Board has nominated Mr. Glen R. Bressner and Mr. Robert E. Mittelstaedt, Jr. to serve as Class II directors. Both men serve presently as Class II directors, and each has indicated a willingness to continue serving as a director.

Unless contrary instructions are given, the shares represented by a properly executed proxy will be voted "**FOR**" the election of Messrs. Bressner and Mittelstaedt. Shareholders must cast a separate vote "**FOR**" or "**AGAINST**" the candidacy of each nominee. The two nominees receiving a majority of the votes cast for director will be elected. Should any nominee become unavailable to accept election as a director, the persons named in the enclosed proxy will vote the shares that they represent for the election of such other person as the Board may recommend. **The Board of Directors recommends voting "FOR" the nominees for Class II directors.**

Table of Contents**DIRECTORS AND NOMINEES**

The members of the Board as of the date of the Annual Meeting, including the nominees for Class II directors standing for election at this meeting, together with certain information about them, are set forth below:

Name	Age	Director Since	Term Expires	Positions with the Company
Directors Standing For Election				
Class II Directors				
Glen R. Bressner	53	1999	2014	Director, Vice-Chairman of the Board
Robert E. Mittelstaedt, Jr.	70	1989	2014	Director
Directors Not Standing for Election				
Class I Directors				
Robert A. Mionis	51	2010	2016	Director
Robert H. Rau	77	2001	2016	Director
Class III Directors				
Geoffrey S. M. Hedrick	71	1988	2015	Director, Chairman of the Board, Chief Executive Officer
Winston J. Churchill	73	1990	2015	Director

Directors and Nominees

Glen R. Bressner. Mr. Bressner is Managing Partner of Originate Ventures which he co-founded in 2008. He is also a shareholder and a director on the board of Alum-a-Lift, Inc., a family-owned manufacturer of material handling solutions. He has also been a Managing Partner of Mid Atlantic Venture Funds since 1985. From 1996 to 1997, Mr. Bressner served as the Chairman of the Board of the Greater Philadelphia Venture Group. Mr. Bressner holds a Bachelor of Science, cum laude, in Business Administration from Boston University and a Masters of Business Administration degree from Babson College.

Robert E. Mittelstaedt, Jr. Mr. Mittelstaedt served as Non-Executive Chairman of the Board of Directors from 1989 to 1997. Since July 1, 2004, Mr. Mittelstaedt has been Dean of the W.P. Carey School of Business at Arizona State University. Prior to that, Mr. Mittelstaedt was Vice Dean of The Wharton School of the University of Pennsylvania since 1989. Mr. Mittelstaedt also serves on the Board of Directors of Laboratory Corporation of America Holdings, Inc. and is a member of the Board of Directors of W.P. Carey & Co. LLC. Mr. Mittelstaedt holds a Bachelor of Science degree in Mechanical Engineering from Tulane University and a Masters of Business Administration degree from The Wharton School of the University of Pennsylvania.

Robert A. Mionis. Mr. Mionis currently serves as an Operating Partner for Pamplona Capital Management. From 2008 to 2013, Mr. Mionis was the President and Chief Executive Officer of Standard Aero, one of the world's largest independent aviation repair and services companies. From 2006 to 2008, Mr. Mionis served as President and CEO of the Dubai Aerospace Enterprise Engineering and Manufacturing division. From 2002 to 2006, he served as Vice President of Integrated Supply Chain at Honeywell Aerospace. Before joining Honeywell, Mr. Mionis served as Senior Vice President and General Manager for Global Operations for Axcelis Technologies, a semiconductor equipment manufacturer. Mr. Mionis began his career with General Electric in its Manufacturing Management program. Mr. Mionis serves on several boards, including the University Of Massachusetts College Of Engineering Advisory Board and the Board of Trustees for the Arizona Science Center. Mr. Mionis is a graduate of the University of Massachusetts Amherst with a degree in Electrical Engineering.

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Robert H. Rau. Mr. Rau retired December 31, 1998 as President of the Aerostructures Group of The Goodrich Company. Prior to its merger with The Goodrich Company, Mr. Rau was President and Chief Executive Officer of Rohr, Inc. from 1993 to 1997. Before joining Rohr, he was an Executive Vice President of Parker Hannifin Corporation and President of its Aerospace Sector. In addition, Mr. Rau is a past member of the Board of Governors of the Aerospace Industries Association and a past Chairman of the General Aviation Manufacturers Association. Mr. Rau received a Bachelor of Arts degree in Business Administration from Whittier College in 1962.

Geoffrey S. M. Hedrick. Mr. Hedrick founded the Company in February 1988 and has been Chairman of the Board since 1997. Mr. Hedrick resigned from his position as Chief Executive Officer of the Company on November 30, 2007 but continued as Chairman of the Board. He reassumed his former duties as Chief Executive Officer on September 8, 2008. Prior to founding the Company, Mr. Hedrick served as President and Chief Executive Officer of Smiths Industries, North American Aerospace Companies. He also founded Harowe Systems, Inc. in 1971, which was acquired subsequently by Smiths Industries plc. Mr. Hedrick has over 40 years of experience in the avionics industry, and he holds a number of patents in the electronics, optoelectric, electromagnetic, aerospace and contamination-control fields.

Winston J. Churchill. Mr. Churchill has been managing general partner of SCP Partners since he founded it in 1996, and has over 25 years' experience in private equity investing. Previously, he had formed Churchill Investment Partners, Inc. in 1989 and CIP Capital, L.P., another venture capital fund, in 1990. Prior to that, he was a managing partner of a private investment firm that specialized in leveraged buyouts on behalf of Bessemer Securities Corporation. From 1967 to 1983, he practiced law at the Philadelphia firm of Saul, Ewing LLP and served as Chairman of its Banking and Financial Institutions Department, Chairman of the Finance Committee and a member of its Executive Committee. He is Chairman of Cyalume Technologies Holdings, Inc. and a director of a number of other public companies including Amkor Technology, Inc. and Griffin Land and Nurseries, Inc., as well as a number of private companies. From 1989 to 1993, he served as Chairman of the Finance Committee of the Pennsylvania Public School Employees' Retirement System. He is currently a Trustee Fellow of Fordham University, Chairman of Scholar Academies, Vice-Chair of The Gesu School, and a trustee of American Friends of New College Oxford, England; he was also for many years a trustee of Georgetown University. He earned a Bachelor of Science in Physics, summa cum laude, from Fordham University, a Master of Arts in Economics from Oxford University, where he studied as a Rhodes Scholar, and a Juris Doctor from Yale Law School.

Director Qualifications

The Board believes that each of the directors and nominees for director listed above has the sound character, integrity, judgment and record of achievement necessary to be a member of the Board. In addition, each of the directors and nominees for director has exhibited during his prior service as a director the ability to operate cohesively with the other members of the Board and to challenge and question management in a constructive way. Moreover, the Board believes that each director and nominee for director brings a strong and unique background and skill set to the Board, giving the Board as a whole competence and experience in diverse areas, including corporate governance and board service, finance, management and aviation industry experience. Set forth below are certain specific experiences, qualifications and skills that led to the Board's conclusion that each of the directors and nominees for director listed above should continue to serve as a director.

Mr. Bressner brings to the Board a wealth of experience managing financial investments from his service at venture capital firms. Mr. Bressner provides the Board with a thorough understanding of capital markets and other financial issues. Mr. Bressner's experience in managing investments also provides him with extensive finance and accounting knowledge, and he applies this expertise in his service as Chairman of the Audit Committee of the Board (the "Audit Committee"). Mr. Bressner's

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prior service as Chairman of the Board of Directors of the Greater Philadelphia Venture Group and on numerous other boards of directors, including of several public entities, provided him also with valuable experience in corporate governance matters, which he draws from in his service on the Audit Committee, the Investment Committee of the Board (the "Investment Committee") and the Nominating & Corporate Governance Committee.

Mr. Mittelstaedt, having served as the Non-Executive Chairman of the Board for eight years, provides the Board with a comprehensive knowledge of the Company and its history. He was CEO of an IT firm that he co-founded, built and sold in the 1980's. In addition, Mr. Mittelstaedt has extensive academic business experience, having served as Dean of the W.P. Carey School of Business at Arizona State University and Vice Dean at The Wharton School of the University of Pennsylvania. This experience has exposed Mr. Mittelstaedt to contemporary business strategies and practices which he draws from in his service on the Board. Mr. Mittelstaedt's experience on various other boards of directors provides him with insight into corporate governance which he utilizes in his service on the Compensation and Nominating & Corporate Governance Committees. Additionally, Mr. Mittelstaedt has been an active pilot for over 45 years and holds a FAA Commercial Pilot Certificate with Multi-Engine and Instrument ratings. Consequently, he has gained operational experience with state of the art avionics, which he brings to the Board.

Mr. Mionis brings to the Board a comprehensive knowledge of the aviation industry, gained from a long career in various leadership positions with companies in the aviation industry, including StandardAero, Honeywell Aerospace and General Electric Aerospace. Mr. Mionis also provides the Board with insight into corporate governance matters particular to companies in the aviation industry through his service on various other boards of directors, including the board of the General Aviation Manufacturers Association.

Mr. Rau brings to the Board extensive experience in leadership positions with companies in the aviation industry. From this experience, he has gained in-depth knowledge of the operational issues facing companies in the aviation industry, which he utilizes in advising the Board. Mr. Rau's prior service on the Board of Governors of the Aerospace Industries Association and as Chairman of both the General Aviation Manufacturers Association and the International Advisory Panel of Singapore Aerospace, has provided him with a unique perspective on the issues facing the aviation industry as a whole, which he draws upon in his service on the Board.

Mr. Hedrick, as founder and Chief Executive Officer of the Company, provides the Board with a comprehensive knowledge of the Company, its history and its businesses. In addition, Mr. Hedrick brings to the Board his insight into the aviation industry from over 40 years of leadership experience in executive positions in aviation companies, including Smith Industries plc and Harowe Systems, Inc.

Mr. Churchill brings to the Board over twenty-five years of experience in private equity investing, during which he gained valuable insight into effective management of investments. Mr. Churchill utilizes this insight to advise the Board on financial and investment matters. In addition, Mr. Churchill has extensive experience serving on the boards of directors of other companies, both public and private. Mr. Churchill draws on his financial and corporate governance experience in his service on the Investment Committee and the Nominating & Corporate Governance Committee. In addition, Mr. Churchill has maintained a pilot's license for nine years and has Instrument and Multi-Engine ratings. Consequently, he has gained operational experience with state of the art avionics, which he brings to the Board.

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INDEPENDENCE

The Board has determined in its business judgment that five (5) of the Company's six (6) directors are independent as defined in the applicable NASDAQ Stock Market, LLC ("NASDAQ") listing standards, including that each member is free of any relationships that would interfere with his individual exercise of independent judgment. The following directors were determined to be independent: Glen R. Bressner, Winston J. Churchill, Robert A. Mionis, Robert E. Mittelstaedt, Jr. and Robert H. Rau (collectively, the "Independent Directors").

BOARD LEADERSHIP

The Board does not have a formal policy on whether the roles of Chief Executive Officer and Chairman of the Board should be separate. Currently, Mr. Geoffrey S.M. Hedrick serves in both of these positions. The Board believes that it is in the best interests of the Company's shareholders to combine these offices as it promotes information flow between management and the Board, effective decision making and an alignment of corporate strategy. Mr. Glen R. Bressner, an Independent Director, serves as Vice Chairman of the Board and as presiding director during executive sessions of Independent Directors. The Board believes that its structural features, including five independent, non-management directors on a board consisting of six directors, regular meetings of Independent Directors in executive session, an independent Vice Chairman of the Board and key committees consisting wholly of Independent Directors, provide for substantial independent oversight of the Company's management. However, the Board recognizes that, depending on future circumstances, other leadership models may become more appropriate. Accordingly, the Board will continue to review periodically its leadership structure.

RISK OVERSIGHT

The Company faces a number of risks, including technological and intellectual property risk, regulatory risk, credit risk, liquidity risk, reputational risk and risk from adverse fluctuations in interest rates. Management is responsible for the day-to-day management of risks faced by the Company, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board seeks to ensure that the risk management processes designed and implemented by management are adequate. The Board consults periodically with management regarding the Company's risks.

While the Board is ultimately responsible for risk oversight, the Company's board committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. The Audit Committee assists the Board in its oversight of risk management in the areas of financial reporting and internal controls. The Compensation Committee assists the Board in oversight of risks related to the Company's compensation policies and programs. The Investment Committee assists the Board in oversight of the risks related to the Company's cash investments. The Nominating & Corporate Governance Committee assists the Board in oversight of risk associated with board organization, membership and structure, succession planning for directors and executive officers and corporate governance.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board maintains four standing committees: Audit, Compensation, Investment, and Nominating & Corporate Governance.

Audit Committee. The Audit Committee makes recommendations to the Board with respect to various auditing and accounting matters, including the selection and compensation of the Company's independent registered public accounting firm, the scope of the Company's annual audits, fees to be paid to the independent registered public accounting firm, the performance and independence of the Company's independent registered public accounting firm, and the Company's accounting practices.

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The Audit Committee approves all services provided to the Company by the independent registered public accounting firm. The Audit Committee has established procedures for the receipt, retention, and treatment, on a confidential basis, of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. In addition, the Audit Committee has responsibility for, among other things, the planning and review of the Company's annual and periodic reports and accounts, and the involvement of the Company's independent registered public accounting firm in that process. Messrs. Bressner (Chairman), Mionis and Rau are currently members of the Audit Committee. The Audit Committee is comprised solely of independent members, as independence for audit committee members is defined by the applicable NASDAQ listing standards. In addition, the Board has determined in its business judgment that each member of the Audit Committee is financially literate, and that at least one of the Audit Committee members, Mr. Rau, is an audit committee financial expert, as defined by SEC rules and regulations. The Audit Committee has adopted a formal written charter that has been approved by the Board. The charter specifies the scope of the Audit Committee's responsibilities and procedures for carrying out such responsibilities. A copy of the charter is available on the Company's website, www.innovative-ss.com, under the heading Investor Relations. None of the information on the Company's website is incorporated by reference in this proxy statement.

Compensation Committee. The Compensation Committee of the Board is composed of two directors, Messrs. Mittelstaedt (Chairman) and Mionis, each of whom, in the judgment of the Board, was found to be "independent" as defined by the applicable NASDAQ listing standards. The Compensation Committee is responsible for setting and administering the policies that govern annual executive salaries, bonuses, and stock ownership programs. The Compensation Committee evaluates annually the performance of the Company's Chief Executive Officer and determines or recommends to the full Board the annual base salary, bonus, and equity-based compensation for the Chief Executive Officer. The Compensation Committee relies on the recommendations of the Chief Executive Officer, following the Chief Executive Officer's annual performance reviews of other executive officers, in setting annual salaries, bonuses, and equity-based compensation for other executive officers.

The Compensation Committee is responsible for reviewing and overseeing the Company's benefit plans and stock option plans for employees, consultants, directors, and other compensated individuals, including the Chief Executive Officer. The Compensation Committee has adopted a formal written charter that has been approved by the Board. The charter specifies the scope of the Compensation Committee's