

PINNACLE DATA SYSTEMS, INC.

Code of Business Conduct and Ethics and Conflict of Interests Policy

The Board of Directors has adopted the following Code of Business Conduct and Ethics and Conflict of Interests Policy (the “Code”) for the Officers, Directors and all Associates of Pinnacle Data Systems, Inc. (the “Company”). This Code is intended to

- focus the Officers, Directors and Associates, collectively and individually, on their respective duties and responsibilities,
- provide guidance to the Officers, Directors and Associates to help them recognize and deal with ethical issues,
- provide mechanisms to report unethical conduct, and
- help foster a culture of honesty and accountability.

Each Officer, Director and Associate must comply with the letter and spirit of this Code, subject to possible separation from the Company for non-compliance.

No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles. Officers, Directors and Associates are encouraged to bring questions about particular circumstances that may implicate one or more provisions of this Code to the attention of the Chair of the Audit Committee, who may consult with legal counsel as appropriate.

Officers and Associates, as well as those Directors who are also Associates, must follow this Code in addition to the Standards of Conduct contained in the PDSi Associate Handbook.

A. Conflict of Interests

1. Officers, Directors and Associates have a paramount interest in promoting and preserving the interests of Company shareholders and the best interests of the Company. Officers, Directors and Associates should avoid any conflicts of interest between themselves and the Company. Any situation that involves, or may reasonably be inferred to involve, a conflict between an Officer's, Director's or Associate's personal interests and the interests of the Company must be disclosed to the Chair of the Audit Committee. For example, an Officer or Director must disclose his or her financial interest, or the financial interest of any member of his or her immediate family, as defined in NYSE Amex Rules Sec. 803¹, or any of his or her business associates² in any transaction being considered by the Board. In addition, Officers, Directors and Associates must disclose information on their financial interests in organizations doing business with the Company.
2. It is imperative that all Officers and Directors, whether appointed or elected, exercise good faith by disclosing information relating to conflicts or potential conflict of interests and excusing themselves from voting on any issue before

the Board that could result in a conflict, self-dealing, or any other circumstances wherein their privileged position as an Officer or Director would result in a detriment to the Company or in a noncompetitive, favored, or unfair advantage to either themselves or their associates.

3. Officers, Directors and Associates may not engage in any conduct or activities that are inconsistent with the Company's best interests or that disrupt or impair the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.
4. An Officer, Director or Associate, or any member of his or her immediate family, should avoid the acceptance of substantial gifts³ in those cases where any such substantial gift is being made in order to influence the Officer's, Director's or Associate's actions in their capacity with the Company, or where acceptance of such gift gives the appearance of a conflict of interests.
5. Officers, Directors and Associates should not accept compensation for services performed for the Company from any source other than the Company.
6. Officers and Directors may not use Company assets, labor or information for personal use unless approved by the Chair of the Audit Committee or as part of a compensation or reimbursement program available to all Officers and Directors. Associates may not use Company assets, labor or information for personal use unless approved by an Officer or Director, or as part of a compensation or reimbursement program available to all Associates.

B. Corporate Opportunities

Officers, Directors and Associates are prohibited from: (a) taking for themselves personally opportunities related to the Company's business; (b) using the Company's property, information, or position for personal gain; or (c) competing with the Company for business opportunities, *provided, however*, if disinterested Directors determine that the Company will not pursue an opportunity that relates to the Company's business, an Officer, Director or Associate may do so.

C. Confidentiality

Officers, Directors and Associates must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them from whatever source, in their capacity with the Company, except when disclosure is authorized or legally mandated. For purposes of this Code, "confidential information" includes all non-public information relating to the Company.

D. Compliance with Laws, Rules and Regulations; Fair Dealing

Officers and Directors shall comply, and oversee compliance by Associates, Officers and other Directors, with laws, rules and regulations applicable to the Company, including insider trading laws. Transactions in Company securities are governed by the Company's Statement of Policy on Insider Trading.

Officers and Directors shall oversee fair dealing by Associates and Officers with the Company's customers, suppliers, competitors and other Associates. Officers, Directors and Associates shall also comply with the Foreign Corrupt Practices Act ("FCPA"). Compliance with the FCPA requires that no Officer, Director or Associate shall, either directly or indirectly, give, offer or promise to give, money or anything of value to any public or political party official, political party or candidate for political office of any foreign government or instrumentality.

E. Disclosure in Reports

Officers, Directors and Associates shall take all necessary steps within the scope of their respective functions and/or duties to ensure the full, fair, accurate, timely and understandable disclosure of all required information in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.

F. Encouraging the Reporting of Any Illegal or Unethical Behavior

Officers and Directors should promote ethical behavior and take steps to ensure the Company (a) encourages Associates to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (b) encourages Associates to report violations of laws, rules, regulations or the Company's Code of Business Conduct to appropriate personnel; and (c) informs Associates that the Company will not allow retaliation for reports made in good faith.

G. Compliance Procedures

Officers and Directors should communicate any suspected violations of the Code promptly to the Chair of the Audit Committee. Violations will be investigated by the Board, or by a person or persons designated by the Board, and appropriate action will be taken in the event of any violations of the Code.

¹ "Immediate family member" includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home (other than domestic employees).

² For the purposes of this Code, the term "business associate" shall mean any entity or individual with whom the Officer, Director or Associate has a business relationship (outside of the Company) including but not limited to (i) any corporation or organization (other than the Company) of which such Officer, Director or Associate is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more

of any class of equity securities (a “10 percent beneficial owner”), and (ii) any other partner, officer or 10 percent beneficial owner of any such corporation or organization, and (iii) any trust or other estate in which such Officer, Director or Associate has a substantial beneficial interest or as to which such Officer, Director or Associate serves as a trustee or in a similar fiduciary capacity.

³ For purposes of this Code, the terms “substantial gifts” or “substantial gift” shall mean (i) gifts of more than token value; (ii) entertainment, the cost of which is in excess of what is considered reasonable, customary, and accepted business practice; (iii) loans made on preferential terms; or (iv) other substantial favors.