

VUZIX CORPORATION

Code of Ethics and Business Conduct for Employees, Officers and Directors

Vuzix Corporation and its subsidiaries (collectively, the “**Company**”) are committed to conducting business with highest integrity and in accordance with applicable laws, rules and regulations. The policies outlined in this Code of Ethics and Business Conduct (this “**Code**”) are designed to:

- (a) ensure that the Company’s employees, officers and directors participate in and foster a culture of transparency, integrity, honesty and overall ethical conduct in the Company, including the handling of actual or apparent conflicts of interest;
- (b) promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “**SEC**”) and in other public communications made by the Company;
- (c) promote compliance with applicable governmental laws, rules and regulations;
- (d) promote the protection of Company assets, including corporate opportunities and confidential information; and
- (e) promote fair dealing practices, deter wrongdoing, and ensure accountability for adherence to this Code.

Each employee, officer and director is required to review, understand and comply with this Code, to be generally aware of the laws, rules and regulations that are applicable to the Company’s business, to seek advice from the appropriate party when unsure about the appropriateness of certain situations or conduct, and to report any suspected violations in accordance with the reporting guidelines set forth in this Code. Although not all employees, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel.

This Code provides rules and procedures to help the Company’s employees, officers and directors recognize and respond to situations that present ethical issues. This Code applies to all of our employees, officers and directors, as well as any independent contractors or consultants acting in a similar capacity, wherever they are located and whether they work for the Company on a full or part-time basis. Employees, officers and directors are expected to read the policies set forth in this Code, as updated from time-to-time, and to understand and comply with them. Those who violate the standards in this Code will be subject to disciplinary action.

1. **Compliance Standards and Procedures.** Our Board of Directors will designate an Ethics Officer to be available to assist you with questions regarding this Code or report suspected violations of this Code or other misconduct. The Ethics Officer is responsible for applying these policies to specific situations in which questions may arise and has the authority to interpret these policies in any particular situation. Any questions relating to how these policies should be interpreted or applied should be addressed to the Ethics Officer.

Any employee, officer or director who becomes aware of any existing or potential violation of laws, rules, regulations or this Code is required to notify the Ethics Officer promptly. Failure to do so is itself a violation of this Code. As a matter of corporate policy and to encourage employees to report violations, the Company does not tolerate acts of retaliation against any person who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.

It is obviously not possible to anticipate every circumstance or situation which this Code would apply. Accordingly, this Code cannot, and is not intended to provide answers to every question that might arise. Nevertheless, the basic principles set forth herein can and should serve as guidance in dealings with shareholders, fellow employees, business partners, and all others with whom the Company has relationships.

Ultimately the Company must rely on each person's good sense of what is right, including a sense of when it is proper to seek guidance from others as to the appropriate course of conduct. When determining the proper course of action, you should carefully analyze the situation and seek guidance from your supervisor, the Ethics Officer or other appropriate personnel in accordance with the following four steps:

a. Gather All the Facts. Do not take any action that may violate any provision of this Code until you have gathered all the facts that are required to make a well-informed decision and, if necessary, you have consulted with your supervisor or the Ethics Officer.

b. Ask Whether the Action is Illegal or Contrary to the Code. If any action you are considering taking is illegal or contrary to the provisions of this Code, you should not carry out the act. If you believe that the Code has been violated by an employee, officer or director, you must promptly report the possible violation in accordance with the procedures set forth herein.

c. Discuss the Problem with Your Supervisor. It is your supervisor's duty to assist you to comply with this Code. Feel free to discuss the situation with your supervisor if you have any questions. You will suffer no retaliation for seeking such guidance.

d. If Necessary, Seek Additional Resources. The Ethics Officer is available to speak with you by phone, email or in person when convenient about problematic situations if you do not feel comfortable approaching your direct supervisor. The Ethics Officer is also available to assist you in complying with those aspects of the Code that involve more complex issues, such as insider trading and conflicts of interest.

2. **Conflicts of Interest.** A conflict of interest exists when an employee, officer or director takes action or enters into relationships that oppose the interests of the Company or that in any way interfere with his or her performance or independent judgment when carrying out his or her duties. You may not exploit your position or relationship with the Company for personal gain. Conflicts of interests are prohibited as a matter of corporate policy unless they have been approved in writing by the Company in accordance with applicable law. Employees, officers and directors shall take every reasonable step to promptly disclose to a supervisor or the Ethics Officer any business or financial interest or relationship of any employee, officer or director that might

interfere with, or even gives the appearance of interfering with, their ability to objectively and effectively pursue the best interests of the Company. For example, there is a likely conflict of interest if you:

- a. Cause the Company to engage in business transactions with relatives or friends;
- b. Use nonpublic Company, customer or vendor information for personal gain by you, relatives or friends (including securities transactions based on such information);
- c. Have more than a passive modest financial interest in the Company's vendors, customers or competitors (see below for guidelines);
- d. Receive a loan, or guarantee of any obligation, from the Company or a third party as a result of your position at the Company;
- e. Receive any payments or gifts, other than gifts of nominal value, from any third party as a result of your position with the Company; or
- f. Compete, or prepare to compete, with the Company while still employed by the Company.

Employees, officers and directors must understand the potential for conflicts of interest in investing in the Company's vendors, customers, partners or competitors. The Company's employees, officers and directors must always serve the Company's stockholders first, and investing in companies with which the Company does business may not be in our stockholders' best interests. The following guidelines apply with respect to such investments:

Public Companies: Passive investments of less than one percent (1%) of the outstanding shares of companies that are listed on a U.S. or international stock exchange or quoted on Nasdaq, are permitted without the Company's approval, provided that the investment is not so large financially in either absolute dollars or percentage of the individual's total investment portfolio as to create the appearance of a conflict of interest. Investments that are not within these limits must be approved by the Audit Committee of the Company's Board of Directors (the "**Audit Committee**"), but in such cases approval will likely not be granted. No investment may involve any confidential inside or proprietary information, such as information that may have been learned about the other company as a result of the Company's relationship with the other company.

Private Companies: Any investment in the Company's vendors, partners, customers or competitors that are privately held requires disclosure to the Ethics Officer. If the employee, officer or director either directly or through the chain of authority at the Company has responsibility to affect or implement the Company's relationship with another company, review and approval of their investment by the Audit Committee is required, but in such cases approval will likely not be granted.

There are other situations in which a conflict of interest may arise. If you have concerns about any situation, follow the steps outlined in the Section entitled "Reporting Violations."

Engaging in any conduct that represents a conflict of interest without proper disclosure and having obtained all necessary approvals is strictly prohibited.

3. **Gifts, Bribes and Kickbacks.** Other than modest gifts given or received in the ordinary course of business (including reasonable travel or entertainment), neither you nor your relatives may give gifts to, or receive gifts from, the Company's customers or vendors unless disclosed to and approved in writing in advance by the Company. Any gifts that are more than modest and ordinary may be given or accepted only with prior written approval of your supervisor or the Company's management, and in no event should you give a gift that would induce someone to act improperly, accept a gift that would affect your independent judgment and objective decision-making with respect to Company business, or put the Company or yourself in a position that would be embarrassing if information about a purported gift was made public.

Any employee, officer or director who offers, pays or receives bribes, kickbacks or any other illegal gifts will be immediately terminated and reported, as warranted, to the appropriate authorities. A kickback or bribe includes any item intended to improperly obtain favorable treatment, including, by way of example, a bribe received by an employee, officer or director to guarantee that the Company will use the services of a particular vendor when such use is not advantageous to the Company, or a bribe offered by an employee, officer or director to obtain favorable treatment in a government bid process.

When dealing with public officials, employees, officers and directors must avoid any activity that is in fact, or that even gives the appearance of being, illegal, unethical or improper. Many federal, state and local governmental bodies strictly prohibit the receipt of any gratuities by their employees, agents or representatives, including meals, transportation, lodging and entertainment. You must be aware of and strictly follow these prohibitions.

In addition, the Foreign Corrupt Practices Act of the United States (the "**FCPA**") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates to obtain or retain business. This prohibition also extends to payments to sales representatives or agents if there is reason to believe that the payment will be used indirectly for a prohibited payment to a foreign official. Violation of the FCPA can result in severe fines and criminal penalties, as well as disciplinary actions by the Company, up to and including termination of employment.

Certain small facilitation payments to foreign officials may be permissible under the FCPA if customary in the country or locality and intended to secure routine government action. Governmental action is "routine" if it is ordinarily and commonly performed by a foreign official and does not involve the exercise of discretion. For instance, routine functions would include setting up a telephone line or expediting a shipment through customs. To ensure legal compliance, before making any facilitation payments you should consult with the Ethics Officer.

Further, the 2010 Bribery Act of the United Kingdom, as amended (the "**UK Bribery Act**"), prohibits bribes paid to any person to induce them to act improperly or fail to adhere to a duty to

which that person is bound, regardless of whether the person is a foreign government official or political candidate.

All employees, officers and directors of the Company must be familiar with and adhere to the requirements and prohibitions of both the FCPA and the UK Bribery Act, regardless of the country or territory in which the person is located or their business takes place. Such adherence is not only a requirement of this Code and a matter of best practices in ethical business conduct, it is also likely to be legally required considering the broad and expansive jurisdictional reach of the FCPA and UK Bribery Act. If you have any questions about the requirements and prohibitions of the FCPA or the UK Bribery Act, you should seek guidance from the Ethics Officer or other appropriate personnel.

4. **Protection and Proper Use of Company Assets.** Every employee, officer and director must safeguard Company assets from loss or theft, and ensure their efficient use. All Company assets should be used only for legitimate business purposes, though incidental personal use may be permitted if in accordance with the requirements listed in (i)-(iv) below. Company assets includes confidential information, intellectual property, computers, office equipment, inventories and supplies. You must always be sure to appropriately secure Company assets within your control to prevent theft, damage or unauthorized use. Employees may make limited non-business use of the Company's electronic communications systems and certain other assets, provided that such use (i) is occasional (ii) does not interfere with the employee's professional responsibilities (iii) does not diminish productivity, and (iv) does not violate this Code, the Company's electronic communications system policy or other policies then in effect.

5. **Corporate Opportunities.** All employees, officers and directors owe a duty to the Company to advance its interests when the opportunity arises. Employees, officers and directors are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Employees, officers and directors may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, no employee, officer or director may compete with any business of the Company.

6. **Confidentiality.** In carrying out the Company's business, employees, officers and directors often learn confidential or proprietary information about the Company, its customers, vendors or joint venture partners. You may not use or reveal Company, customer, vendor or partner confidential or proprietary information to others, except when disclosure is authorized or legally mandated. Additionally, you must take appropriate steps, including without limitation, securing documents, limiting access to computers and electronic media, and proper disposal methods, to prevent unauthorized access to such information. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties. Proprietary and/or confidential information, among other things, includes: business methods; sales information, pricing, costing, marketing and all other financial data; strategy; computer code; information regarding the Company's intellectual property, including its technology and products; screens; forms; experimental research; and information about, or received from, the Company's current, former and prospective customers, vendors, employees, officers or directors.

7. **Gathering Competitive Information.** You may not accept, use or disclose the protected confidential information of our competitors. When you obtain competitive information, you must confirm that it has not been improperly obtained or disclosed, and that it does not otherwise violate our competitors' rights. Particular care must be taken when dealing with competitors' current customers, former customers and former employees. Never ask for a competitor's confidential or proprietary information, ask a person to violate a non-competition or non-disclosure agreement, or otherwise facilitate a person's breach of legal obligations or responsibilities. If you are uncertain about any situation involving competitive information or legal obligations or responsibilities, contact the Ethics Officer for assistance.

8. **Fair Dealing.** Each employee, officer and director shall endeavor to deal fairly with the Company's shareholders, customers, suppliers, competitors and employees. No employee, director or officer should take unfair advantage of anyone through manipulation, concealment, threats, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

9. **Fair Competition and Antitrust Laws.** The Company must comply with all applicable fair competition and antitrust laws. These laws attempt to ensure that businesses compete fairly and honestly and prohibit conduct seeking to reduce or restrain competition, including by way of price fixing, collusion among competitors or other strategies intended to manipulate markets. If you are uncertain whether a contemplated action raises unfair competition or antitrust issues, contact the Ethics Officer for assistance.

10. **Securities Laws and Insider Trading.** No employee, officer or director may purchase or sell any Company securities while in possession of material non-public information regarding the Company, nor may any employee, officer or director purchase or sell another company's securities while in possession of material non-public information regarding that company. It is against Company policies and illegal for any employee, officer or director to use material non-public information regarding the Company or any other company to: (i) obtain profit for himself or herself; or (ii) directly or indirectly "tip" others who might make an investment decision on the basis of that information. It is generally illegal to buy or sell securities using material information not available to the public. Persons who give such unpublished, publicly undisclosed "inside" information to others may be equally as liable as persons who actually trade securities while possessing such information. Securities laws may be violated if you, or any of your relatives or friends, buy or sell the Company's stock, or the stock any of its customers, vendors or partners, while possessing inside information or unpublished knowledge. If you are uncertain about the legality of a particular trade, you should consult with the Ethics Officer before making any such purchase or sale.

11. **Retention of Books and Records.** The Company's business records must be maintained for the periods specified in the Company's record retention policy or any more specific policies of your particular business unit. Records may be destroyed only at the expiration of the applicable retention periods or otherwise in accordance with the Company's record retention policy. In no case may documents related to a pending or threatened litigation, government inquiry or other information request, or under otherwise under subpoena, be altered, discarded or destroyed, regardless of the periods specified in the record retention policy. In addition, you may never

destroy, alter, or conceal, with an improper purpose, any record related to, or otherwise impede, any official proceeding, directly or indirectly, either personally, in conjunction with, or by attempting to influence, another person.

12. **Recordkeeping.** The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules. The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions and satisfy its reporting obligations. This requires that no fund, asset, liability, revenue or expense be concealed or incompletely recorded for any purpose. All entries must be supported by documentation adequate to permit the books and records to be verified by audit. Proper accounting requires not only careful compliance by the Company's internal auditors, but also the cooperation of all employees who are involved in keeping financial records of any type.

Full, fair, accurate, timely and understandable disclosures in the Company's periodic reports to the public and to governmental authorities are legally required and are essential to the success of our business. All filings with the SEC must be fair, accurate and timely. You should exercise the highest standard of care in contributing to or preparing such reports in accordance with the following guidelines:

- a. All the Company accounting records, as well as reports produced from those records, must be in accordance with the laws of each applicable jurisdiction.
- b. All records must fairly and accurately reflect the transactions or occurrences to which they relate.
- c. All records must fairly and accurately reflect, in reasonable detail, the Company's assets, liabilities, revenues and expenses.
- d. The Company's accounting records must not contain any false or intentionally misleading entries.
- e. No transactions should be intentionally misclassified as to accounts, departments or accounting periods.
- f. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.
- g. No information should be concealed from the internal auditors, the independent auditors or the Company's legal counsel, who shall have unrestricted access to all documents and records.
- h. Compliance with the Company's system of internal accounting controls is required.

If you have knowledge of any unreported or improperly reported financial activity, you must report the information to your supervisor, the Ethics Officer, the Audit Committee or the Ethics Hotline detailed in Section 15 below.

13. **Reporting Violations.** Employees are encouraged to talk to supervisors or the Ethics Officer when in doubt as to the best course of action in a particular situation or about any observed illegal or unethical behavior, or any other violations of this Code. Your conduct can reinforce an ethical atmosphere and positively influence the conduct of your fellow employees. If you are powerless to stop suspected misconduct or if you discover it after it has occurred, you must report it promptly to the appropriate level of management at your location. Misconduct cannot be excused because it was directed or requested by another. In this regard, you are expected to alert management promptly whenever an illegal, dishonest or unethical act is discovered or suspected. Management is required to report to the Audit Committee any such reports made to it by any employee.

If you are still concerned after speaking with your local management, or feel uncomfortable speaking with them for whatever reason, you must (anonymously if you wish) either:

- (i) contact the Ethics Officer by speaking with him or her, or sending a detailed note, with relevant documents, to the Ethics Officer by delivery to the Company's address at 25 Hendrix Road, West Henrietta, New York, 14586;
- (ii) contact the Ethics Hotline by telephone, website, e-mail or fax using the information provided in Section 15 below; or
- (iii) contact the Audit Committee directly by sending a detailed note, with relevant documents, by e-mail to: auditcommittee@vuzix.com, or by regular mail to: Audit Committee Compliance Matters, c/o Vuzix Corporation, 25 Hendrix Road, West Henrietta, New York, 14586, or

If you choose to remain anonymous and make an anonymous report, you should create and preserve your own record of this report in order to be able to demonstrate your compliance with the requirement of reporting violations. Reports made to the Ethics Officer may be reported to the Audit Committee.

After receiving a report of an alleged violation, the relevant supervisor, Ethics Officer and/or Audit Committee will promptly take all appropriate actions necessary to investigate. All employees, officers and directors are expected to fully cooperate in any internal investigation of misconduct.

Your calls, detailed notes and/or e-mails will be dealt with confidentially, although there may be a point where your identity may become known or have to be revealed in the course of an investigation or to take corrective action. You have the commitment of the Company and of the Audit Committee, which is composed of independent directors, that you will be protected from retaliation for your good faith actions. Any employee who attempts to or encourages others to retaliate against an individual who has reported a violation will be subject to disciplinary action.

14. **Waivers.** Any waiver of this Code may be made only by the Board of Directors in writing and may be promptly disclosed to the public as required by law and applicable stock exchange

rules. When necessary, a waiver will be accompanied by appropriate controls designed to protect the Company.

15. **Ethics Hotline.** To assure ongoing adherence to this Code, the Audit Committee has established an Ethics Hotline to provide an avenue for employees to raise complaints or concerns relating to violations or alleged violations of this Code.

The Company is committed to the highest possible standards of ethical, moral and legal business conduct. In conjunction with this commitment and the Company's commitment to open communication, this hotline aims to provide an avenue for employees to raise concerns with reassurance that they will be protected from reprisals or victimization for reporting a concern in good faith.

This Ethics Hotline is intended to cover any concerns that could have a significant impact on the Company, such as actions that (1) are unlawful, (2) may lead to incorrect financial reporting, (3) are not in line with Company policy, including this Code, or (4) otherwise amount to serious improper conduct. Regular business matters that do not require anonymity should be directed to the employee's supervisor and not through this hotline.

There are safeguards in the hotline to address harassment or victimization and to maintain confidentiality and anonymity. Harassment or victimization of individuals submitting a hotline report will not be tolerated. Every effort will be made to protect the reporter's identity by our hotline vendor, Lighthouse Services, and the policy allows employees to remain anonymous at their option. Any malicious allegations may result in disciplinary action.

The Ethics Hotline procedure is intended to be used for serious issues. Serious concerns relating to financial reporting, unethical or illegal conduct should be reported in either of the following ways:

- **Telephone:**
 - English speaking USA and Canada: 844-280-0005 (not available from Mexico)
 - Spanish speaking North America: (800) 216-1288 (from Mexico user must dial 001-800-216-1288)
- **Website:** www.lighthouse-services.com/vuzix
- **E-mail:** reports@lighthouse-services.com (must include company name with report)
- **Fax:** (215) 689-3885 (must include company name with report)

Reporters to the Ethics Hotline can remain anonymous if they choose. Please note that the information provided by you may be the basis of an internal and/or external investigation into the issue you are reporting and your anonymity will be protected to the extent possible by law. However, your identity may become known during the investigation because of the information you provided. Reports are submitted by Lighthouse Services to the Audit Committee, and may or may not be investigated at the sole discretion of the Audit Committee. The action taken will depend on the nature of the reported concern or complaint. The individual submitting the report will be given the opportunity to receive follow-up information relating to their concern or complaint.

16. **Enforcement.** The Company must ensure prompt and consistent action against violations of this Code. Upon receipt of a determination that there has been a violation of this Code, the Ethics Officer, Audit Committee or the Board of Directors will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

ACKNOWLEDGMENT OF RECEIPT AND REVIEW:

I, _____, acknowledge that I have received and read a copy of the Vuzix Corporation Code of Ethics and Business Conduct for Employees, Officers and Directors. I understand the contents of the Code and I agree to comply with the policies and procedures set out in the Code.

I understand that I should approach my direct supervisor or the Ethics Officer if I have any questions about the Code generally or any questions about reporting a suspected conflict of interest or other violation of law or the Code.

Signature: _____

Date: _____, 20____

Name: _____