As filed with the Securities and Exchange Commission on January 30, 2004

Registration No. 333-109916

==========

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

- ----------

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
(Amendment No. 4)

- ----------

FLIGHT SAFETY TECHNOLOGIES, INC.
(Name of small business issuer in its charter)

Nevada	3812	95-4863690
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

28 Cottrell Street
Mystic, Connecticut 06355
(860) 245-0191
(Address and telephone number of principal executive offices and principal place of business)

- ----------

Samuel A. Kovnat
28 Cottrell Street
Mystic, Connecticut 06355
(860) 245-0191
(Name, address and telephone number of agent for service)

- ----------

Copies to:

Joseph J. Selinger, Jr., Esq.
Michael Sessine, Esq.
Tobin, Carberry, O'Malley, Riley & Selinger, P.C.
43 Broad Street
New London, Connecticut 06320
(860) 447-0335

James Martin Kaplan, Esq.
Richard DiStefano, Esq.
Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
(212) 885-5000

Approximate Date of Proposed Sale to the Public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

CALCULATION OF REGISTRATION FEE				
Title of Each Class Of Securities To Be Registered	Dollar Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee(4)
Units, consisting of two shares of common stock, par value $0.001 per share, and one public warrant to purchase one share of common stock	1,552,500	$6.00	$9,315,000	$1,180.21
Common stock, par value $0.001 per share, included in the units	- --	- --	- --	- --
Warrants to purchase common stock included in the units	- --	- --	- --	- --
Shares of common stock, par value $0.001 per share, underlying the public warrants included in the units (2)	1,552,500	$3.30	$5,123,250	$649.12
Representative's warrants to purchase units (3)	- --	- --	- --	- --
Units issuable upon exercise of the Representative's warrants	135,000	$7.20	$972,000	$123.15
Common Stock, par value $0.001 per share, included in units underlying the Representative's warrants	- --	- --	- --	- --

Warrants to purchase common stock, par value $0.001 per share, included in units underlying the Representative's warrants	- --	- --	- --	- --
Shares of common stock, par value $0.001 per share, underlying the public warrants included in the units issuable upon exercise of the warrants underlying the Representative's warrants (2)	135,000	$5.40	$729,000	$92.36
TOTAL			$16,139,250	$2,044.84

(1) Estimated pursuant to Rule 457(o) solely for the purpose of calculating the amount of the registration fee. Includes 202,500 units that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Pursuant to Rule 416 under the Securities Act, there are also being registered hereby such additional indeterminate number of shares as may become issuable pursuant to any antidilution provisions of the warrants.

(3) In connection with the sale of units, we are granting to the representative of the underwriters a warrant to purchase up to 135,000 units at a per unit purchase price equal to 120 percent of the public offering price of a unit. No registration fee is required pursuant to Rule 457(g).

(4) The registration fee has already been paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

SUBJECT TO COMPLETION
DATED JANUARY 30, 2004.

1,350,000 Units

each unit consisting of two shares of common stock and one redeemable
public warrant to purchase one share of common stock

This is a public offering of securities of Flight Safety Technologies, Inc. Our securities are being offered in units, each unit consisting of two shares of our common stock and one public warrant to purchase one share of our common stock. The public warrants will trade only as a part of a unit for 30 days following the effective date of this offering unless the representative of the underwriters determines that separate trading of the public warrants should occur earlier. Each public warrant will entitle its owner to purchase one share of our common stock for $3.30 per share subject to adjustment, including anti-dilution provisions for corporate events such as stock splits. Each public warrant may be exercised at any time after 30 days from the effective date of this offering or such earlier date as the public warrants become separately tradable and thereafter for five years after the effective date of this offering unless we have redeemed them. At any time after the first anniversary of the date of this offering, we may redeem some or all of the public warrants at a price of $0.25 per warrant, upon 30 days' notice so long as the last reported sales price per share of our common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds $10.00 for twenty consecutive trading days ending on the tenth day prior to the date we give notice of redemption.

Before this offering, our common stock traded on the National Association of Securities Dealers Over-the-Counter Bulletin Board under the symbol "FSFY." Immediately after effectiveness of this offering, our common stock, units and public warrants have been approved for listing on the American Stock Exchange under the symbols "FLT," "FLT.u," and "FLT.ws," respectively.

The public offering price will be $6.00 per unit. Unless otherwise indicated, all shares and per-share information in this prospectus gives retroactive effect to a 1-for-3 reverse split of our common stock that was effective December 31, 2003. The public offering price of the units is based on various factors, including the reported sales price per share of our common stock as reported on the Over-the-Counter Bulletin Board, and has been determined by negotiations between us and The Shemano Group, Inc., the representative of the underwriters.

Investing in these units involves significant risks. We urge you to read carefully the "Risk Factors" section beginning on page 6 where we describe specific risks you should consider before buying these units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	$6.00	$8,100,000
Underwriting discount	$0.45	$ 607,500
Proceeds to us, before expenses	$5.55	$7,492,500

We expect total cash expenses for this offering to be approximately $499,500. This does not include a non-accountable expense allowance of 3% of the gross proceeds of this offering payable to The Shemano Group, Inc., as the representative of the underwriters. The units are being offered on a firm commitment basis. The underwriters expect to deliver the units to purchasers on February 4, 2004. We have granted the underwriters a 45-day option to purchase up to 202,500 additional units to cover over-allotments. We have also agreed to sell to the representative underwriters' warrants to purchase up to an additional 135,000 units.

The Shemano Group, Inc. [LOGO]

Prospectus dated _____, 2004.

YOUR RELIANCE ON INFORMATION CONTAINED IN THIS PROSPECTUS

We have not authorized anyone to provide you with information different from that contained in this prospectus. These securities may be sold only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities. You must not consider that the delivery of this prospectus or any sale of the securities covered by this prospectus implies that there has been no change in our affairs since the date of this prospectus or that the information contained in this prospectus is current or complete as of any time after the date of this prospectus.

FORWARD-LOOKING INFORMATION

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

Except for the historical information presented in this document, the matters discussed in this prospectus, or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes", "plans", "intend", "scheduled", "potential", "continue", "estimates", "hopes", "goal", "objective", expects", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by us. We caution you that no statements contained in this prospectus should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those discussed in the "Risk Factors" section of this prospectus, which include risks and uncertainties associated with, among other things, the outcome of an informal inquiry by the SEC that appears to be in connection with certain analysts reports about us and our press releases. The actual results that we achieve may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and, except as required by law, we assume no obligation to update this information whether as a result of new information, future events or otherwise. Readers are urged to carefully review and consider the various disclosures made by us in this prospectus and in our other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

SOCRATES (TM) and UNICORN (TM) are trademarks of ours. This prospectus also refers to trademarks and trade names of other companies and organizations.

PROSPECTUS SUMMARY

You must read the following summary together with the more detailed information regarding us and the securities being offered for sale by means of this prospectus and our financial statements and notes to those statements appearing elsewhere in this prospectus. The following summary highlights information contained elsewhere in this prospectus.

Unless the context indicates otherwise, all references in this prospectus to "we", "our", "us", "FST" or the "company" refer on a consolidated basis to Flight Safety Technologies, Inc., a Nevada corporation, or to its former subsidiary, Flight Safety Technologies Operating, Inc., a Delaware corporation (sometimes referred to as "FSTO") that was merged into FST on June 27, 2003.

Overview

We are developing two proprietary technologies designed to enhance aviation safety and reduce airport delays on which we have received United States and foreign patents.

Using our technology, known as SOCRATES (*Sensor for Optically Characterizing Remote Atmospheric Turbulence Emanating Sound*), we are currently working on development of a sensor to detect and track air disturbances known as wake vortex turbulence, created by departing and arriving aircraft in the vicinity of airports. We are developing this sensor to be a component of a wake vortex advisory system, known as WVAS, that the National Aeronautics and Space Administration, or NASA, is developing. We believe that our SOCRATES wake vortex sensor, upon completion and deployment in concert with other components of WVAS, can:

- Improve the safety of aircraft arrivals and departures;
- Streamline the air traffic control process;
- Reduce passenger delays; and
- Generate substantial cost savings for the airline industry and other airport users.

A "proof of principle" test of our SOCRATES wake vortex sensor was conducted at JFK International Airport in May 1998. We completed controlled testing of an expanded and improved SOCRATES wake vortex sensor, using a NASA Boeing 757 as the source aircraft, at Langley Air Force Base in December 2000. In September 2003, we completed a three-week test of an improved SOCRATES wake vortex sensor at Denver International Airport. Based upon our analysis of initial data, this test demonstrated a major increase in the capability and reliability of the sensor.

We have conducted research, development, and testing of our SOCRATES wake vortex sensor in conjunction with Lockheed Martin Corporation pursuant to a ten-year teaming agreement dated May 1, 1997 under which we are the prime contractor.

We also are developing a collision avoidance and ground proximity warning system for small aircraft based on our technology referred to as UNICORN (*Universal Collision Obviation and Reduced Near-Miss)*. We recently received a frequency assignment from the Federal Communications Commission for experimental purposes and development of UNICORN and have signed a contract with Georgia Tech Applied Research Corporation, or GTARC, under which GTARC has commenced work on the construction of our UNICORN antenna elements. We plan to integrate the antenna with electronics, displays, and processing elements into a collision alerting and ground proximity warning system aimed at the general aviation market. We also have begun exploring the application of this technology to unmanned air vehicles and other specialized commercial and government flight operations.

We have been awarded three successive contracts from various federal government agencies aggregating approximately $13 million for research, development and testing of our SOCRATES wake vortex sensor. We have not had any revenues from commercial sales and we do not expect such sales for several years.

Our principal office is located in Mystic, Connecticut, and our phone number is (860) 245-0191.

The Offering

Units offered in this offering	1,350,000 units, each unit consisting of two shares of our common stock and one public warrant to purchase one share of our common stock. The public warrants will trade only as part of a unit for 30 days following the effective date of this offering unless the representative of the underwriters determines that separate trading of the public warrants should occur earlier.
Common stock to be outstanding after this offering	8,002,068 shares
Public warrants to be outstanding after this offering	Public warrants to purchase up to 1,350,000 shares of common stock.
Term of public warrants	The public warrants are exercisable at any time after 30 days from the effective date of this offering (or such earlier date as the public warrants become separately tradable) until they expire five years from the effective date of this offering, unless earlier redeemed.
Exercise price of public warrants	$3.30
Redemption of public warrants	At any time after the first anniversary of the date of this offering, we may redeem some or all of the public warrants at a price of $0.25 per warrant, upon 30 days' notice so long as the last reported sales price per share of our common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds $10.00 (subject to certain adjustments) for twenty consecutive trading days ending on the tenth day prior to the date we give notice of redemption.
American Stock Exchange symbols	Common stock: "FLT" Units: "FLT.u" Public warrants: "FLT.ws"
Risk factors	Investing in these securities involves a high degree of risk. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the "Risk Factors" section of this prospectus.

Use of proceeds	For general corporate purposes, including working capital, research and development, product development, certification/commissioning, marketing and distribution, and new product development. Please see "Use of Proceeds."

Unless the context indicates otherwise, all share and per-share information in this prospectus (i) is based on 5,302,068 shares of our common stock outstanding as of January 28, 2004, (ii) assumes no exercise of the public warrants, the over-allotment option to purchase up to 202,500 units, warrants to purchase up to 135,000 units granted to the representative in connection with this offering, outstanding options and warrants to purchase a total of 734,008 shares of common stock, which have a weighted average exercise price of $6.00 per share, and (iii) gives retroactive effect to a 1-for-3 reverse split of our common stock that was effective December 31, 2003.

Summary Financial Information

In the table below, we provide you with historical selected consolidated financial data for the two years ended May 31, 2003 and 2002, derived from our audited consolidated financial statements included elsewhere in this prospectus. We also provide below financial data for, and as of the end of, our second fiscal quarters of 2004 and 2003, derived from our unaudited financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected for any future period. When you read this historical selected financial data, it is important that you read along with it the historical consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operation" included elsewhere in this prospectus.

	Year Ended May 31,		Six Months Ended	
	2002	2003	November 30, 2002 (unaudited)	November 30, 2003 (unaudited)
	(in thousands)			
Statement of Operations Data:				
Revenues	$ 490	$ 1,093	$ 40	$ 1,294
Gross profits	$ 30	$ 294	$ 16	$ 383
Operating loss	$ (823)	$ (948)	$ (567)	$ (445)
Net loss	$ (809)	$ (944)	$ (564)	$ (442)

The table below sets forth a summary of our consolidated balance sheet data as of May 31, 2003, derived from our audited consolidated financial statements included elsewhere in this prospectus. We also provide below financial data for, and as of the end of, our second fiscal quarter of 2004, derived from our unaudited financial statements included elsewhere in this prospectus on an actual basis and on an as adjusted basis. As adjusted data assume the receipt of approximately $6,750,000 in net proceeds from this offering (excluding proceeds for any election of the overallotment option).

	May 31, 2003	November 30, 2003	
		Actual (unaudited)	As adjusted (unaudited)
		(in thousands)	
Balance Sheet Data:			
Cash, cash equivalents and marketable securities	$ 1,040	$ 1,904	$ 8,654
Working capital	$ 905	$ 1,979	$ 8,729
Total assets	$ 1,520	$ 3,025	$ 9,775
Total stockholders' equity	$ 1,146	$ 2,422	$ 9,172

RISK FACTORS

Investment in our securities involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision. The risks and uncertainties described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Our limited operating history and lack of commercial operations make it difficult to evaluate our prospects.

Since we began operations in 1997, we have generated limited revenues solely from three SOCRATES technology research and development contracts with agencies of the federal government that fund, administer, and oversee these contracts. The federal government has funded these contracts from earmarked U.S. Congressional appropriations to agencies that have awarded these contracts to us on a sole source basis without competitive bidding. Under these contracts, we are reimbursed for certain allowable research and development costs and are paid a fee calculated as a percentage of costs.

We have not as yet received any revenue from the sale of any products. We do not anticipate receiving any such revenue unless and until our SOCRATES or UNICORN-based products become operational, which could take several years. Our estimates of the market size for the products we are developing are based on many assumptions and uncertainties. These estimates have not been evaluated by an independent party. The actual markets and price we can charge for our products, if and when we successfully complete their development, could be substantially less and our costs could be greater than our estimates. It therefore is difficult to assess our prospects for commercial sales, revenues and profitability.

We have incurred and, for the next several years, can be expected to incur operating losses.

To date, we have incurred significant net losses, including net losses of $943,974 for our fiscal year ended May 31, 2003 and $442,362 for the six months ended November 30, 2003. On May 31, 2003, we had an accumulated deficit of $2,460,023. We anticipate that we may continue to incur significant operating losses for at least the next several years. We may never generate material revenues or achieve or maintain profitability. Substantially all our revenues have been devoted to payment of costs incurred in the research, development, and testing of our SOCRATES or UNICORN technology. Our ability to achieve, maintain, and/or increase profitability will depend in large part upon the successful further development and testing of our SOCRATES or UNICORN-based products, our ability to procure Congressional appropriations and obtain federal research and development contracts for SOCRATES, our ability to obtain additional financing, FAA approval of our SOCRATES or UNICORN-based products and systems by various agencies of the federal government, acquisition of our products and systems by the FAA, airports and the aviation industry, and the availability of funding to finance such acquisitions.

Lack of future funding from the federal government to complete research and development of our SOCRATES wake vortex sensor could adversely affect our business.

Without notice to, or opportunity for prior review by us, the John A. Volpe National Transportation Systems Center of the U. S. Department of Transportation's Research and Special Programs Administration, or Volpe, circulated a draft report in October 2001 which recommended curtailing further government expenditure on our SOCRATES wake vortex sensor due to a high risk assessment of achieving operational feasibility. Because of this report and the events of September 11, 2001, the government did not fund our SOCRATES research and development contract from December 15, 2001 to November 19, 2002. Together with our major subcontractor, Lockheed Martin Corporation, we

vigorously disputed and extensively discussed its assertions with Volpe and NASA. To our knowledge, Volpe did not issue a final report, and Volpe and NASA requested and we submitted a proposal for approximately $2.2 million of additional SOCRATES technology research, development and testing with an immediate objective of better characterizing the wake acoustics and background noise. In November 2002, Volpe approved and funded a work order in the amount of $1,229,650 for the first phase of this proposal, and in March 2003, a second work order was approved and funded in the amount of $991,418. On September 19, 2003, we received notice of our third successive sole source contract from Volpe, titled Phase III SOCRATES, for an aggregate of $3,975,000.

We believe the federal government has indicated a long-term interest in the development of a wake vortex advisory system and our SOCRATES wake vortex sensor for inclusion in such a system. However, the U.S. government may terminate our government contract at any time if it determines such termination is in the best interests of the government or may terminate, reduce or modify it because of budgetary constraints or any change in the government's requirements. Furthermore, the federal government has in the past delayed or reduced and may in the future delay, reduce, or eliminate funding for research and development of our SOCRATES wake vortex sensor or the wake vortex advisory system as a result of, among other things, a reduction in support or opposition from supervising agencies or the U.S. Congress, changes in budgetary priorities, fiscal constraints caused by federal budget deficits, or decisions to fund competing systems or components of systems. If this occurs, it will reduce our resources available for research and development of our proprietary technologies, new products or enhancements to SOCRATES or UNICORN technologies and to market our products. Reduction of contract funding from the federal government could delay achievement of or increases in profitability, if any, create a substantial strain on our liquidity, resources and product development, and have a material adverse effect on the progress of our research and development and our financial condition.

The government will not pay us for SOCRATES research and development if we do not perform on our contract.

We perform our government contracts pursuant to specific work orders from the government. Such work orders include, but are not limited to, analysis of data, research, development of our SOCRATES technology, planning and conduct of testing, and preparation of various reports. If we do not perform the contracts in accordance with their terms, the government may withhold payment on our bills that we submit monthly. Furthermore, if at any point the government considers a test to be a failure, it may cease to approve further work orders or fund further contracts. Loss of funding on our SOCRATES contract would have a material adverse effect on our business, financial condition, and results of operations.

Our success depends on our successful product development and testing.

Our future success will depend upon our ability to successfully complete the development, testing, and commercialization of our technologies and our ability to develop and introduce new products and services to meet industry, government, and client requirements. We are planning to eventually develop a number of products, based on our SOCRATES and UNICORN technologies. The process of developing such products contains significant technological and engineering hurdles and is extremely complex and expensive. In 2001, Volpe and associated federally funded research centers prepared reports which concluded it was unlikely SOCRATES would result in a sensor that could be used for any operational procedure and even for research because of technical unknowns relating to an understanding of wake vortices and the need to obtain acceptance of WVAS by controllers and pilots. We believe this conclusion was premature and based on an incomplete understanding of SOCRATES and its operational potential. In our opinion, the testing and analysis we have conducted has increasingly supported this potential and resulted in the continuation of funding for our government contracts for research, development and testing of our SOCRATES technology. However, there still are technical, engineering and program integration hurdles we must meet to develop SOCRATES into an operational sensor, including, but not limited to, expanding the sensor to at least 16 laser beams, integrating the sensor into and with the other components of WVAS, and developing operating protocols for WVAS that define how it would be used by air traffic controllers and pilots. In the case of UNICORN, we must successfully overcome development, engineering and testing hurdles to produce an operational product and obtain FAA approval of this product. Furthermore, we will need to extend the term of the experimental license the FCC has granted us and, ultimately, obtain a permanent license from the FCC for the operation of UNICORN. We might not successfully complete the development of any of our SOCRATES or UNICORN technology into operational products and our products may not be commercially viable. Our failure to complete development of any such products and achieve market acceptance would have a material adverse effect on our business, financial condition, and results of operations.

In addition, certain of our products will require customized installation to address unique characteristics of their environments. Customization could place an additional burden on our resources or delay the delivery or installation of products which, in turn, could have a material adverse effect on our relationship with clients, our business, financial condition, and results of operations.

Our success depends on federal government approval of our products and related systems.

The airport and aviation industry is subject to extensive government oversight and regulation. To introduce our SOCRATES and UNICORN-based products for commercial sale, we must successfully complete research, development, and testing and obtain necessary governmental approvals for their installation. Upon approval by the Federal Aviation Administration, or FAA, our SOCRATES wake vortex sensor would be part of a multi-component wake vortex advisory system that also will require government approvals before it can be deployed. Any factor that delays or adversely affects this approval process, including delays in development or inability to obtain necessary government approvals, could have a material adverse effect on our business, financial condition, and results of operations.

Our business relies on a strategic alliance with Lockheed Martin Corporation and others to develop a complete system.

In May 1997, we signed a Teaming Agreement with Lockheed Martin Corporation to jointly develop and market SOCRATES-based products. This agreement will expire in May 2007, unless certain earlier termination provisions occur or the agreement is extended by mutual agreement. The agreement stipulates that we serve as prime contractor and Lockheed Martin Corporation as subcontractor in the development and any deployment of our SOCRATES wake vortex sensor. Although to date we have generally worked in close cooperation with Lockheed Martin Corporation, there is no assurance that this relationship will be sustained. Future disagreements as to work scope, revenue share, profit margins, ownership of intellectual property, or technical, marketing, or management philosophy, could adversely impact the relationship. Since we view our strategic partnership with Lockheed Martin Corporation as a vital element of our business plan, any erosion of this relationship could have a negative impact on our business and future value.

We may need to raise additional capital.

Given the uncertainties of research and development and the timing of commercialization of our SOCRATES and UNICORN-based products, the availability and level of government funding, the FAA approvals required for our products, and the long sales cycle from initial customer contact to actual, if any, revenue generation, we might not be able to generate sufficient, if any, revenue or investment capital to fund our operations over the period of years we believe are required to commercialize our products. In each of our last three fiscal years, we have suffered substantial operating losses which we have funded, in part, with equity capital that we raised from new investors.

We will continue to incur significant expenses for research and development and testing of our SOCRATES and UNICORN technology and may continue to suffer such losses prior to commercialization and thereafter. If we cannot achieve commercialization of our SOCRATES and UNICORN technologies with the proceeds of this offering or if we are unable to generate sufficient working capital from revenue from government funding or private contracts for these purposes, we would need to seek additional capital. In addition, other unforeseen costs and research and development costs of later generation SOCRATES and UNICORN-based products also could require us to seek additional capital. We do not have any credit facilities in place and, should the need for additional capital arise, we may not be able to obtain sufficient, if any, additional capital or raise such capital on acceptable terms. If we need to obtain additional debt or equity capital, it may include our entry into joint ventures or issuance of additional securities, which may cause dilution to our current capital structure and stockholders' ownership. Additional securities also could have a greater priority as to dividends, distributions and other rights than our common stock.

For the life of the public warrants, underwriter's warrants, and existing warrants, the holders thereof are given the opportunity to profit from a rise in the market for our common stock, with a resulting dilution in the interest of all other stockholders. So long as these warrants are outstanding, the terms on which we could obtain additional capital may be adversely affected. The holders of these warrants might be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by these warrants.

Loss of key personnel could adversely affect our business.

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers, Samuel A. Kovnat, Chairman of the Board and Chief Executive Officer, William B. Cotton, President and Director, Frank L. Rees, Executive Vice President and Director, and David D. Cryer, Chief Financial Officer, Treasurer and Secretary. The sustained unavailability of any one or more of those individuals for any reason could have a material adverse impact on our operations and prospects. We anticipate hiring additional executive officers in the future. We may not be able to complete the hiring of these additional officers in a timely manner or at all. We also depend on the ability of our executive officers and other members of senior management to continue to work effectively as a team.

Government regulation could adversely affect our business.

As a result of receiving contract funding from the federal government and our involvement in the field of aviation, our business and operations are subject to numerous government laws and regulations. In the near term, and for so long as we receive funding from the federal government, we will be subject to many procurement and accounting rules and regulations of the federal government. We are also subject to periodic audits by the Defense Contract Audit Agency, or DCAA. To date, we have incurred four audits by the DCAA, and reports have been issued to our government customer which have stated that we are performing in accordance with Federal Acquisitions Regulations. There is no assurance that any of the results or contents of any future audits will portray us favorably. These rules and regulations are complex in nature and sometimes difficult to interpret or apply. Adherence to these rules is reviewed by participating agencies of the federal government. If such agencies suspect or believe that violations of procurement or accounting rules and regulations have occurred, they may refer such matters to other enforcement divisions of the federal government, such as the U.S. Attorney's Office or the Inspector General's office. If we violate these rules and regulations, even if unintentionally, we may have to pay fines and penalties or, in severe cases, could be terminated from receiving further funding from the federal government. If we market, sell and install our products in foreign countries, the laws, rules and regulations of those countries, as well as certain laws of the United States, will apply to us. Existing as well as new laws and regulations of the United States and foreign countries which regulate aviation and airports could also adversely affect our business.

Our success depends on our ability to protect our proprietary technology.

Any failure by us to protect our intellectual property could harm our business and competitive position. For example, although we have sought patent protection for our technologies, the steps we have taken or intend to take with regard to protecting our technologies may not be adequate to defend and prevent misappropriation of our technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are substantially equivalent or superior to our technology. Furthermore, any patent we have obtained or may obtain may subsequently be invalidated for any of a variety of reasons. In addition, even if we are issued a patent, we may not be able to gain any commercial advantage from such patent. Existing United States laws afford only limited intellectual property protection.

We intend to use a combination of patent, trade secret, copyright and trademark law, nondisclosure agreements, and technical measures to protect our proprietary technology. We intend to enter into confidentiality agreements with and obtain assignments of intellectual property from all of our employees, as well as with our clients and potential clients, and intend to limit access to and distribution of our technology, documentation and other proprietary information. However, the steps we take in this regard may not be adequate to deter misappropriation or independent third-party development of our technology. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of the United States. If we resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk to our proprietary rights if we are unsuccessful in such proceedings. Moreover, our financial resources may not be adequate to enforce or defend our rights in our technology. Additionally, any patents that we apply for or obtain may not be broad enough to protect all of the technology important to our business, and our ownership of patents does not in itself prevent others from securing patents that may block us from engaging in actions necessary to our business, products, or services.

Other companies may claim that we infringe their intellectual property or proprietary rights.

If our proprietary technology violates or is alleged to violate third party proprietary rights, we may be required to reengineer our technology or seek to obtain licenses from third parties to continue offering our technology without substantial reengineering. Any such efforts may not be successful or if successful could require payments that could have a material adverse effect on our profitability and financial condition. Any litigation involving infringement claims against us would be expensive and time-consuming, and an adverse outcome may result in payment of damages or injunctive relief that could materially and adversely affect our business.

We have received notice claiming that our name infringes upon the trademark rights of another company.

We have received notice, from counsel at another company, claiming that our name infringes upon the trademark rights of the other company regarding its name. Our patent and trademark counsel has reviewed this claim and believes it is without merit. Our counsel has notified the other company of our position, the reasons that support our position, and that we do not intend to change our name. We have not received any response. We believe that if the other company pursues this claim, we may be able to favorably resolve it and, if it is necessary to litigate the claim, we believe the result would be favorable to us. However, any such litigation could be costly to us and divert management's time and attention away from our business. Furthermore, we cannot exclude the possibility of an adverse outcome that could require us to pay damages and change our name.

Our future customers, including the FAA, may not accept the price of or be able to finance our products.

At present, we cannot precisely fix a price for the sale and installation of an initial SOCRATES wake vortex sensor at airports or UNICORN-based collision avoidance systems in small aircraft. We estimate that the cost of our SOCRATES wake vortex sensor will be $6 million to $15 million per airport installation, depending on, among other things, the number and configuration of runways, and the wholesale price of a UNICORN-based system will be approximately $10,000 per aircraft. Because we have not completed the research, development, and testing of either product or received final approvals for either of them from the federal government, we have not commenced production or marketing efforts. We currently do not anticipate having these products ready for commercial sale for at least several years. We therefore are not yet in a position to gauge the reaction of potential customers to the pricing of these products or future products and whether such potential customers will be able to afford and finance our products.

We believe that the increase in efficiency and safety to airports, airlines, and private aircraft resulting from our products will justify the substantial anticipated cost of sales and installation of these products. However, our customers' ability to afford such costs will depend, in part, on the health of the overall economy, the financial condition and budget priorities of the federal government, particularly the FAA and NASA, profitability of airports, airlines, and aircraft manufacturers, and the availability of private and government sources of funding to finance the sales and acquisition of our products. While a variety of potential funding sources exist, inability of the FAA, airlines or airports to access or obtain funding for purchase and installation of our products could have a material adverse impact on sales of our SOCRATES or UNICORN-based products.

We may experience long sales cycles.

We expect to experience long time periods between initial sales contacts and the execution of formal contracts for our products and completion of product installations. The cycle from first contact to revenue generation in our business involves, among other things, selling the concept of our technology and products; developing and implementing a pilot program to demonstrate the capabilities and accuracy of our products; negotiating prices and other contract terms; and, finally, installing and implementing our products on a full-scale basis. We anticipate this cycle will entail a substantial period of time, on average between seven to twelve months, and the lack of revenue experienced during this cycle and the expenses involved in bringing new sales to the point of revenue generation would put a substantial strain on our resources.

Our success will depend on our ability to create effective sales, marketing, production and installation forces.

At present and for the near future, we will depend upon a relatively small number of employees and subcontractors to complete the research and development of our SOCRATES wake vortex sensor and pursue research and development of other SOCRATES and UNICORN-based products. The marketing and sales of these products will require us to find additional capable employees or subcontractors who can understand, explain, market, and sell our technology and products to airports, airlines, and airplane manufacturers. We also will need to assemble new personnel and/or contractors for production and installation of our products. Upon successful completion of research and development, these demands will require us to rapidly increase the number of our employees, vendors, and subcontractors. There is intense competition for capable personnel in all of these areas, and we may not be successful in attracting, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions.

Our business could be adversely affected if our products fail to perform properly.

Products and systems as complex as ours may contain undetected errors or "bugs," which result in system failures, or failure to perform in accordance with industry expectations. Despite our plans for quality control and testing measures, our products including any enhancements may contain such bugs or exhibit performance degradation, particularly during the early stages of installation, and deployment. Product or system performance problems could result in loss of or delay in revenue, loss of market share, failure to achieve market acceptance, adverse publicity, injury to our reputation, diversion of development resources and claims against us by governments, airlines, airline customers, and others.

We could be subject to liability claims relating to malfunction of our technology.

Sale of our products will depend on their ability to improve airport, airline, and airplane safety and efficiency. We will take great care to test our products and systems after installation and before actual operation to insure accuracy and reliability. The FAA acquires air traffic control equipment for U.S. airports, and typically assumes the principal product liability risk for such equipment. However, unforeseen problems, misuse, or changing conditions could cause our products and systems to malfunction or exhibit other operational problems. Such problems could cause, or be perceived to cause, airplane accidents, including passenger fatalities. We may receive significant liability claims if governments, airlines, airports, passengers and other parties believe that our systems have failed to perform their intended functions. Liability claims could require us to spend significant time and money in litigation, pay substantial damages, and increase insurance premiums, regardless of our responsibility for such failure. Although we plan to maintain liability insurance, such coverage may not continue to be available on reasonable terms or be available in amounts sufficient to cover one or more large claims, and the insurer may disclaim coverage as to any claim.

We face significant competition from other companies.

The air safety systems and air traffic control industries are already highly competitive. Other industry participants could develop or improve their own systems to achieve the cost efficiencies and value that we believe our products will provide upon successful completion of research and development. Additional companies may enter the market with competing systems as the size and visibility of the market opportunity increases. Many of our potential competitors have longer operating histories, greater name recognition, substantially greater financial, technical, marketing, management, service, support, and other resources than we do. Therefore, they may be able to respond more quickly than we can to new or changing opportunities, technologies, standards, or customer requirements.

New products or technologies will likely increase the competitive pressures that we face. Increased competition could result in pricing pressures, reduced margins, or the failure of our products to achieve or maintain market acceptance. The development of competing products or technologies by market participants or the emergence of new industry or government standards may adversely affect our competitive position. As a result of these and other factors, we may be unable to compete effectively with current or future competitors. Such inability would likely have a material adverse effect on our business, financial condition, or results of operations.

Rapid technological change could render our systems obsolete.

Our business in general is characterized by rapid technological change, frequent new product and service introductions and enhancements, uncertain product life cycles, changes in customer requirements, and evolving industry standards which make us susceptible to technological obsolescence. The introduction of new products embodying new technologies, the emergence of new industry standards, or improvements to existing technologies could render our products and systems obsolete or relatively less competitive. Our future success will depend upon our ability to continue to develop and introduce a variety of new products and to address the increasingly sophisticated needs of our customers. We may experience delays in releasing new products and systems or enhancements in the future. Material delays in introducing new products and systems or enhancements may cause customers to forego purchases of our products and systems and purchase products and systems of competitors instead.

Failure to properly manage growth could adversely affect our business.

To implement our strategy, we believe that we will have to grow rapidly. Rapid growth may strain our management, financial, and other resources. To manage any future growth effectively, we must expand our sales, marketing, production, installation, and customer support organizations, invest in research and development of new products or enhancements to existing systems that meet changing customer needs, enhance our financial and accounting systems and controls, integrate new personnel or contractors, and successfully manage expanded operations. We may not be able to effectively manage and coordinate our growth so as to achieve or maximize future profitability.

We must hire and retain skilled personnel.

Our success depends in large part upon our ability to attract, train, motivate, and retain highly skilled employees, particularly sales and marketing personnel, scientists, engineers, and other technical support personnel. Our failure to attract and retain the highly trained technical personnel that are integral to our direct sales, product development, installation, support, and professional services may limit the rate at which we can generate sales or develop new products or system enhancements, which could have a material adverse effect on our business, financial condition, or results of operations.

Any acquisition we make could disrupt our business and harm our financial condition.

We may attempt to acquire businesses or technologies that we believe are a strategic fit with our business. We currently have no commitments for any acquisition. Any future acquisition may result in unforeseen operating difficulties and expenditures, and may absorb significant management attention that would otherwise be available for ongoing development of our business. Since we may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value we realize from a future acquisition. Future acquisitions could result in issuances of equity securities that would reduce our stockholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets and the incurrence of large, immediate write-offs.

You should carefully read and evaluate this entire prospectus including the risks it describes and not consider or rely upon any statement, information or opinion about us that is not contained in this prospectus.

Certain statements, information and opinions about us have appeared and may continue to appear in published news reports, analysts reports, other media sources and our web site. Some of the information contained in these reports or sources was not material to understanding our business or was out of date, erroneous or inconsistent with that disclosed in this prospectus. In making a decision to invest in the units, you should not rely upon any of these statements, information or opinions and should only rely upon, consider and carefully evaluate the information and risks contained in this prospectus.

We currently are involved in an informal SEC investigation.

We recently learned that the staff of the SEC is conducting an informal investigation that appears to be looking into certain analyst reports about us and our press releases. To date, the SEC staff has not asserted that we have acted improperly or illegally. We have voluntarily agreed to cooperate fully with the staff's informal investigation. We believe that we have acted properly and legally with respect to these analyst reports and our press releases. However, we can neither predict the length, scope, or results of the informal investigation nor its impact, if any, on us or our operations. An adverse outcome, which we cannot predict, could negatively impact the market value of any securities we offer and sell under this prospectus and could divert the efforts and attention of our management team from our ordinary business operations.

Risks Related to Investment in Our Securities

The price of our securities could be volatile and subject to wide fluctuations.

The market price of the securities of a pre-commercial, research and development stage aviation technology company, such as ours, can be especially volatile. Thus, the market price of our securities could be subject to wide fluctuations. In fact, the trading volume and price of our shares have fluctuated greatly. Subject to the information set forth in this prospectus, we are unaware of any specific reasons for this volatility and cannot predict whether or when it will continue.

If our revenues do not grow or grow more slowly than we anticipate, we are unable to procure federal contracts for our SOCRATES wake vortex sensor research and development, we encounter technical or engineering obstacles to the successful commercial development of SOCRATES or UNICORN, operating or capital expenditures

exceed our expectations and cannot be adjusted accordingly, or if some other event adversely affects us, the market price of our securities could decline. In addition, if the market for aviation technology stocks or the stock market in general experiences a loss in investor confidence or otherwise fails, the market price of our securities could fall for reasons unrelated to our business, results of operations, and financial condition. The market price of our securities also might decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Furthermore, the sale in the open market of recently sold securities or newly issued securities, which we may sell from time to time to raise funds for various purposes, and securities issuable upon the exercise of purchase rights under existing options and warrants may place downward pressure on the market price of our securities.

Speculative traders may anticipate a decline in the market price of our securities and engage in short sales of our securities. Such short sales could further negatively affect the market price of our securities.

Companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we were to become the subject of securities class action litigation, it could result in substantial costs and a diversion of management's attention and resources.

The representative has limited experience as a managing underwriter.

Although certain officers of the representative have experience working on public offerings and other corporate finance matters, the representative has limited experience serving as a managing underwriter. Since the representative's experience in underwriting a firm commitment public offering is limited, there can be no assurance that the lack of experience will not adversely affect our securities and the subsequent development, if any, of a trading market in such securities.

An active trading market for our securities may not be developed or sustained which could limit the liquidity of an investment in our securities.

There is a limited trading market for our securities. From January 2002 through January 29, 2004, our common stock traded on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities. The units, shares and public warrants we sell in this offering, together with the shares that formerly traded on the OTC Bulletin Board, have been approved for listing on the American Stock Exchange. There is no assurance that we will be able to continue to meet the listing requirements and that our securities will remain listed on the American Stock Exchange. If we are delisted from the American Stock Exchange, an investor could find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our securities. Additionally, regardless of which exchange our securities may trade on, an active and liquid trading market may not develop or, if developed, may not be sustained, which could limit securityholders' ability to sell our securities at a desired price.

If any of our securities are delisted from the American Stock Exchange, we may be subject to the risks relating to penny stocks.

If any of our securities were to be delisted from trading on the American Stock Exchange and the trading price of such security remains below $5.00 per share on the date such security was delisted, trading in such security would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934. These rules require additional disclosure by broker-dealers in connection with any trades involving a security defined as a penny stock and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally institutions. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell our securities in the secondary market. A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than $5.00 per share, subject to certain exceptions.

A large number of shares may be sold in the market following this offering which may cause the price of our securities to decline.

Sales of a substantial number of shares of our common stock or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common stock or other securities to decline and could materially impair our ability to raise capital through the sale of additional securities. After this offering, we will have 8,002,068 shares of our common stock outstanding (including shares of our common stock comprising a part of the units that are the subject of this offering but excluding shares of our common stock issuable upon exercise of the public warrants comprising a part of those units), or 8,204,568 shares (including shares of our common stock comprising a part of the units that are the subject of this offering but excluding shares of our common stock issuable upon exercise of the public warrants comprising a part of those units) if the underwriters' over-allotment is exercised in full. We anticipate 5,703,581 of the shares will have been registered and eligible for public trading. The 1,350,000 units sold in this offering, or 1,552,500 units if the underwriters' over-allotment is exercised in full, will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates. Not included in the foregoing are 125,677 shares of our common stock that we may register for certain of our stockholders.

Of the remaining 5,302,068 shares of our common stock outstanding after this offering, based upon shares currently outstanding, and assuming no exercise of options or warrants outstanding as of such date prior to completion of this offering, 1,179,295 shares are subject to contractual lock-up agreements with The Shemano Group, Inc., pursuant to which the holders of such shares have agreed not to sell their shares for 90 days after the effective date of this offering. Of the remaining shares, unless held by "affiliates," 1,021,150 will be freely tradable after September 1, 2004 and 98,042 will be freely tradable after June 27, 2005.

Certain events could result in a dilution of your ownership of our common stock.

We currently have 5,302,068 shares of common stock outstanding and 734,008 common stock equivalents outstanding, including warrants and options. The exercise price of all common stock equivalents is $6.00 per share. Some of these warrants and options may provide antidilution protection to their holders which would result in our issuance of shares in addition to those under the warrant or option, upon the occurrence of sales of our common stock below certain prices, stock splits, redemptions, mergers, and other similar transactions. Furthermore, from time to time we may issue additional shares of common stock in private or public transactions to raise funds for working capital, research and development, acquisitions, or other purposes. If one or more of these events occurs, the number of outstanding shares of our common stock would increase and dilute your percentage ownership of our common stock.

If we do not maintain an effective registration statement or comply with applicable state securities laws, you may not be able to exercise the public warrants.

For you to be able to exercise the public warrants, the shares of our common stock underlying the public warrants must be covered by an effective and current registration statement and qualify or be exempt under the securities laws of the state or other jurisdiction in which you live. We cannot assure you that we will continue to maintain a current registration statement relating to the shares of our common stock underlying the public warrants or that an exemption from registration or qualification will be available throughout their term. This may have an adverse effect on demand for the public warrants and the prices that can be obtained from reselling them.

The public warrants may be redeemed on short notice. This may have an adverse impact on their price.

We may redeem the public warrants for $0.25 per warrant, subject to adjustment in the event of a stock split, dividend or the like, upon 30 days' notice so long as the last reported sale price per share of our common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds $10.00 (subject to adjustment) for twenty consecutive trading days ending on the tenth day prior to the date we give notice of redemption. If we give notice of redemption, holders of our public warrants will be forced to sell or exercise the public warrants they hold or accept the redemption price. The notice of redemption could come at a time when, under specific circumstances or generally, it is not advisable or possible to sell or exercise the public warrants.

Our officers, directors and 5% stockholders will exercise significant control over us.

Our current officers, directors and 5% stockholders, in the aggregate, control approximately 35.5% of our outstanding common stock prior to this offering (including common stock issuable to such person or group within 60 days after January 28, 2004). As a result, these stockholders acting together will be able to exert significant control over matters requiring stockholder approval, including the election of directors, approval of mergers, and other significant corporate transactions. This concentration of ownership could delay, prevent, or deter a change in control, and could deprive our stockholders of an opportunity to receive a premium for their stock as part of a sale of us and could affect the market price of our stock.

We do not intend to pay cash dividends.

We have never paid cash dividends on our stock and do not anticipate paying any cash dividends in the foreseeable future.

We may spend the offering proceeds in ways with which our stockholders may not agree.

The use of proceeds from this offering reflects our current planning and is only an estimate that is subject to change in our discretion. Furthermore, a substantial portion of the net proceeds from this offering is not allocated for specific uses. Consequently, our management can spend offering proceeds in ways with which our stockholders may not agree. We cannot predict that the proceeds will be invested or otherwise utilized to yield a favorable return. See "Use of Proceeds."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 1,350,000 units that we are selling in this offering will be approximately $6,750,000 based on a public offering price of $6.00 per unit and after deducting $850,500, reflecting the estimated underwriting discount and non-accountable expense allowance, and $499,500, reflecting the estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $7,873,875.

We expect to use the net proceeds of this offering approximately as follows:

Use of Proceeds	Approximate Amount	Approximate Percentage of Net Proceeds
Research and development	$1,350,000	20%
Product development	1,250,000	19%
FAA certification/commissioning	1,250,000	19%
Marketing and distribution	400,000	6%
New product development	400,000	6%
Other working capital/general corporate purposes	2,100,000	30%
TOTAL:	$6,750,000	100%

We intend to use the net proceeds of this offering to develop our proprietary SOCRATES technology as follows:

- Acceleration of research and development to reach the operation readiness date for our SOCRATES wake vortex sensor sooner than with government funding alone;
- Integration of our SOCRATES wake vortex sensor with other weather measurement, prediction and alerting tools into a full wake vortex advisory system;
- Performance of operational trials of a wake vortex advisory system required for FAA commissioning and site adaptation of such systems, including our SOCRATES wake vortex sensor, for individual airport sales;

- Worldwide promotion and marketing of a wake vortex advisory system containing our SOCRATES wake vortex sensor; and
- Investigation and preliminary design of other new products employing our SOCRATES technology, for both aircraft and airport use.

We intend to use the net proceeds of this offering to develop our proprietary UNICORN technology as follows:

- Acceleration of research and development to reach FAA certification sooner than with presently available funding;
- Integration of our UNICORN antenna subsystem with existing and new displays and alerting devices, and threat logic software;
- Performance of FAA tests required for certification of a UNICORN-based product for general aviation aircraft;
- Internal efforts plus partnering arrangements with avionics and aircraft manufacturers; and
- Shared funding efforts with government agencies to develop our UNICORN technology for unmanned air vehicles and other specialized government applications.

The above amounts are our current estimate of the allocation of the net proceeds. Because the future of our business is difficult to predict, it is likely that the actual amounts used for these purposes will vary significantly from our current estimates. Also, we may use offering proceeds for purposes not listed above in response to cash requirements or business opportunities that we do not now anticipate. In particular, we may use offering proceeds to acquire other businesses or technologies. Any such use could reduce proceeds available for the uses described above. Although we evaluate potential acquisitions in the ordinary course of business, we have no specific understandings, commitments or agreements to make any acquisition or investment at this time.

We anticipate that the net proceeds of this offering, together with projected government contract funding, will be sufficient to fund our operations and capital requirements for at least 24 months following this offering. We cannot assure you, however, that such funds will not be expended earlier due to unanticipated changes in economic conditions or other circumstances that we cannot foresee. In the event our plans change or our assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated.

Until we use the net proceeds of this offering in our business, we intend to invest the funds in short-term, investment grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that our Board of Directors considers relevant.

CAPITALIZATION

The following table sets forth our capitalization as of May 31, 2003, derived form our audited consolidated financial statements found elsewhere in this prospectus. The table also sets forth our capitalization as of November 30, 2003, derived from our unaudited consolidated financial statements found elsewhere in this prospectus on an actual basis and on an as adjusted basis. As adjusted data assume the receipt of $6,750,000 in net proceeds from this offering.

	May 31, 2003	November 30, 2003	
		Actual (unaudited)	As adjusted (unaudited)
	(in thousands, except per share data)		
Notes Payable	$ -	$ -	$ -
Stockholders equity (deficit)			
Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding Common stock, $0.001 par value; 50,000,000 shares authorized; 4,919,035 and 5,300,413 shares issued and outstanding at May 31, 2003 and November 30, 2003, respectively	15	5	8
Additional paid-in capital	3,687	5,398	12,145
Deferred compensation	(96)	(79)	(79)
Accumulated deficit	(2,460)	(2,902)	(2,902)
Total stockholders' equity	1,146	2,422	9,172
Total capitalization	$ 1,146	$ 2,422	$ 9,172

DILUTION

Purchasers of units in this offering will experience immediate and substantial dilution in the net tangible book value of the common stock from the public offering price, without ascribing any value to the warrant included in a unit. Net tangible book value per share represents the amount of our tangible assets reduced by the amount of our total

liabilities, divided by the number of shares of common stock outstanding.

As of November 30, 2003, our net tangible book value (unaudited) was $2,277,897, or approximately $0.42 per share of common stock then outstanding. As of November 30, 2003, our pro forma net tangible book value (unaudited), as adjusted for the sale of the 1,350,000 units offered in this offering and application of the net proceeds of $6,750,000 (at the public offering price of $6.00 per unit and after deducting the underwriting discounts and commissions and estimated offering expenses), would have been approximately $2.50 per share, without ascribing any value to the warrant included in a unit.

This represents an immediate increase in net tangible book value of $0.71 per share to existing shareholders and an immediate and substantial dilution of $1.87 per share or approximately 62.3% to new investors purchasing common stock in this offering.

The following table illustrates this per share dilution:

	Per Share of Common Stock
Public offering price per share of common stock	$3.00
Net tangible book value (unaudited) as of November 30, 2003	0.42
Increase attributable to new investors	0.71
Pro forma net tangible book value (unaudited) after this offering	1.13
Dilution of net tangible book value to investors in this offering	$1.87

The following table summarizes on a pro forma basis, as of January 28, 2004 (giving retroactive effect to our 1-for-3 reverse stock split that was effective December 31, 2003), (i) the number of shares of common stock purchased from us, (ii) the total consideration paid for such shares (without ascribing any value to the warrant included in a unit) and (iii) the average price per share paid by existing holders of our common stock, and investors in this offering, assuming the sale of all 2,700,000 shares offered by this prospectus of common stock at the price indicated above and before deducting any underwriting discounts and offering expenses payable by us.

	Shares		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing Shareholders	5,302,068	66.26%	$ 5,403,556	40.02%	$1.02
New Investors	2,700,000	33.74%	8,100,000	59.98%	3.00
Total	8,002,068	100.00%	$13,503,556	100.00%	$1.69

The above discussion and tables exclude:

- 202,500 shares of common stock issuable upon exercise of the underwriters' over-allotment option;
- 1,485,000 shares of common stock issuable upon the exercise of public warrants and the underwriters' warrants; and
- 734,008 shares of common stock reserved for issuance upon exercise of outstanding warrants and options.

MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market Information

On January 14, 2002, our common stock became eligible to trade on the NASD Over-the-Counter Bulletin Board, or OTCBB, under the symbol RELS. No reported trades of the stock on the OTCBB occurred prior to July 21, 2002. Effective September 6, 2002, the symbol changed to FLST. Effective December 31, 2003, the symbol changed to FSFY as a result of our 1-for-3 reverse stock split that was effective December 31, 2003. As of January 28, 2004, we had 5,302,068 shares of common stock outstanding, of which 3,003,581 shares traded on the OTCBB and in Europe on the Berlin Stock Exchange under the symbol "FLH." We have sent notice to the Berlin Stock Exchange to de-list our shares from that exchange and intend to achieve this de-listing as soon as practical. The following chart shows the high and low sales price of our common stock for each of our fiscal quarters since public trading started as quoted on the OTCBB and for the period ending on the day prior to the date of this prospectus (giving retroactive effect to the reverse stock split):

Fiscal Quarter/Period Ended	High	Low
8/31/02	$10.50	$5.25
11/30/02	$6.90	$4.23
2/28/03	$6.72	$2.70
5/31/03	$3.00	$1.74
8/31/03	$18.72	$2.22
11/30/03	$9.90	$6.36
1/29/04	$7.95	$3.00

The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

As of January 28, 2004, we had 120 record holders of our common stock, as reflected on the books of our transfer agent. A significant number of shares were held in street name and, as such, we believe that the actual number of beneficial owners is significantly higher.

Equity Compensation Plans

The table below provides information relating to our equity compensation plans as of January 28, 2004.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by shareholders	- --	- --	- --
Equity compensation plans not approved by security holders	632,951	$6.00	(a)

(a) The equity compensation plan not approved by shareholders is comprised of individual common stock option agreements issued to directors, consultants and employees of ours, as summarized below. The common stock options vest between one and three years of the date of issue and expire within three years of the vesting date. The exercise prices of all current outstanding options is $6.00 per share. Since these options are issued in individual compensation arrangements, there are no options available under any plan for future issuance.

Options issued to:	Number of options	Exercise price	Vesting dates	Expiration dates
Employees	104,167	$6.00	2002	2005
Consultants	278,784	$6.00	2002	2005
Directors	250,000	$6.00	2002-2005	2005-2008
Total issued	632,951			

SELECTED CONSOLIDATED FINANCIAL DATA

In the table below, we provide you with historical selected consolidated financial data for the two years ended May 31, 2003 and 2002, derived from our audited consolidated financial statements included elsewhere in this prospectus. We also provide below financial data for, and as of the end of, our second fiscal quarter of 2004, derived from our unaudited financial statements included elsewhere in this prospectus on an actual basis and on an as adjusted basis. As adjusted data assume the receipt of approximately $6,750,000 in net proceeds from this offering. Historical results are not necessarily indicative of the results that may be expected for any future period or for a full year. When you read this historical selected financial data, it is important that you read along with it the historical consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

(in thousands)

-

	Year Ended May 31,		Six Months Ended November 30, 2003	
	2002	2003	Actual (unaudited)	As adjusted (unaudited)
Statement of Operations Data:				
Revenues	$ 490	$ 1,093	$ 1,294	$ 1,294
Gross profits	$ 30	$ 294	$ 383	$ 383
Operating loss	$ (823)	$ (948)	$ (445)	$ (445)
Net loss	$ (809)	$ (944)	$ (442)	$ (442)

	May 31, 2003	November 30, 2003	
		Actual (unaudited)	As adjusted (unaudited)
Balance Sheet Data:			
Cash, cash equivalents and marketable securities	$ 1,040	$ 1,904	$ 8,654

Working capital	$	905	$	1,979	$	8,729
Total assets	$	1,520	$	3,025	$	9,775
Total stockholders' equity	$	1,146	$	2,422	$	9,172

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes to those statements included elsewhere in this prospectus. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

Our current operations, including those previously conducted by FSTO, our former subsidiary, have been funded substantially by U.S. Congressional appropriations resulting in three successive sole source contracts with agencies of the federal government for research, development, and testing of our SOCRATES wake vortex sensor and related work pertaining to a wake vortex advisory system, sometimes known as WVAS, that the FAA and NASA are developing. We estimate the appropriations to the FAA totaled approximately $9.6 million in our fiscal years 1997 through 2000 for research and development of our SOCRATES wake vortex sensor; and NASA appropriations for research and development of our SOCRATES wake vortex sensor totaled approximately $13.5 million in our fiscal years 2001 through 2003. From these amounts, we have received three contracts aggregating approximately $13 million. As of November 30, 2003, we have recognized an aggregate of approximately $9.2 million of contract revenue, of which we have been paid $8.8 million. Our current SOCRATES government contract backlog is approximately $3.9 million.

We have entered into these contracts with the Volpe National Transportation Systems Center of the U.S. Department of Transportation ("Volpe"). Volpe funds our contracts when, as, and if it and other sponsoring federal agencies approve a statement of work and specific task orders under the statement of work. When funded, we invoice the federal government monthly based on our direct costs, including overhead and general and administrative costs plus a fixed fee for that month and typically receive payment by electronic wire transfer within two weeks of invoicing. Certain costs we incur, such as (1) lobbying, product development, and business development expenses that are not allowable under these contracts, (2) research and development costs we incur over certain cost caps set by the U.S. government, or (3) costs incurred between contract fundings (collectively hereinafter referred to as "Non-contract Costs"), are not reimbursable under our government contracts. We have funded these Non-contract Costs primarily by proceeds of two private equity placements.

Without notice to, or opportunity for prior review by us, Volpe circulated a draft report in October 2001 which recommended curtailing further government expenditure on our SOCRATES wake vortex sensor due to a high risk assessment of achieving operational feasibility. Together with our major subcontractor, Lockheed Martin Corporation, we vigorously disputed and extensively discussed its assertions with Volpe and NASA. To our knowledge, Volpe did not issue a final report, and Volpe and NASA requested and we submitted a proposal for approximately $2,221,068 of additional SOCRATES wake vortex sensor research, development and testing with an immediate objective of better characterizing the wake acoustics and background noise. In November 2002, Volpe approved and funded a new work order in the amount of $1,229,650 for the first phase of this proposal and in March 2003, a second work order was approved and funded in the amount of $991,418. Included in the funding is a 7% fixed fee over and above our research and development costs plus overhead, general and administrative costs. The statement of work continued our previous contract to develop and test our SOCRATES wake vortex sensor. This funding ended an 11-month period, from December 15, 2001 to November 19, 2002, without government funding to develop our SOCRATES wake vortex sensor.

On September 30, 2003, we received our third successive sole source contract from Volpe, titled Phase III SOCRATES, for an aggregate of $3.975 million. This contract initially will be funded from a U.S. fiscal year 2003 Omnibus Appropriation of $4.5 million to the NASA budget for research, development and testing of our SOCRATES wake vortex sensor as part of a NASA/Department of Transportation/FAA development of WVAS for use at major airports.

For U.S. fiscal year 2004, an additional $5 million NASA appropriation specifically for continued work on project SOCRATES has been enacted into law. If and when our sponsoring agencies approve an extension of our contract, statements of work and appropriate work orders, we expect we would receive a contract extension for a substantial portion of this funding which would include a major airport test of an expanded 8 to 16-beam, and possibly 32-beam, SOCRATES wake vortex sensor.

We believe the federal government has indicated a long-term interest in the development of a wake vortex advisory system and our SOCRATES wake vortex sensor for inclusion in such a system. However, the federal government has in the past delayed or reduced and may in the future delay, reduce, or eliminate funding for research and development of our SOCRATES wake vortex sensor or the wake vortex advisory system as a result of, among other things, a reduction in support or opposition from supervising agencies or the U.S. Congress, changes in budgetary priorities, fiscal constraints caused by federal budget deficits, or decisions to fund competing systems or components of systems. If this occurs, it will reduce our resources available for research and development of our proprietary technologies, new products or enhancements to SOCRATES or UNICORN technologies and to market our products. Reduction of contract funding from the federal government could delay achievement of or increases in profitability, if any, create a substantial strain on our liquidity, resources and product development, and have a material adverse effect on the progress of our research and development and our financial condition.

We have experienced significant losses from our inception. The net loss for our fiscal year ended May 31, 2003 of $943,974 compares unfavorably to the net loss of $809,100 in our fiscal year ended May 31, 2002. For our fiscal year ending May 31, 2004, net losses for the three month and six month periods ended November 30, 2003 were $215,721 and $442,362. The loss for our fiscal year 2003 was caused primarily by three factors: (1) the delay in government contract funding for SOCRATES research and development; (2) rate ceilings; and (3) unallowable expenses. As described below, the loss for the first six months of our fiscal year 2004 ended November 30, 2003 was caused primarily by two of the foregoing factors: (1) rate ceilings and (2) unallowable expenses. We received our third consecutive government contract on September 30, 2003. This contract does not include rate ceilings. Although we will continue to incur certain unallowable expenses, this is a significant change in our contract terms and conditions.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our financial statements that have been prepared according to accounting principles generally accepted in the United States. In preparing these financial statements, we are required to make estimates and judgments that affect the reported amounts of

assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. We evaluate these estimates on an on-going basis. We base these estimates on historical experiences and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Our management has discussed these estimates and assumptions with our finance and audit committee. At this point in our operations, subjective judgments do not have a material impact on our financial statements. We refer you to the footnotes to our financial statements for additional information on application of accounting methods and procedures to our financial statements.

Results of Operations

For the periods ended November 30, 2003 and November 30, 2002

Revenues. To date, our revenues have consisted almost entirely of revenues earned from our three successive SOCRATES wake vortex sensor research and development contracts with the federal government. Revenues under our government contracts are booked as contract sales when earned.

On September 30, 2003, we received our third government contract for $3,975,004. Revenues for the three month period ending November 30, 2003 were $762,252 which was a 43% increase over revenues of $532,215 for the three month period ending August 31, 2003. This increase is the result of the new government contract we received in the second quarter of our fiscal year 2003. Contract revenue for the three month and six month period ending November 30, 2003 was $762,252 and $1,294,467, respectively. This is a significant increase compared to the contract revenue of $39,832 for both the three and six month periods ending November 30, 2002 and is due to the lack of government contract funding for SOCRATES during the eleven month period ending November 19, 2002. As of November 30, 2003, our contract receivables against our government contracts are $359,289.

Direct Contract Costs. Subcontractor, consultant and direct labor expenses comprise our direct contract costs. Direct contract costs for the three and six month period ending November 30, 2003 were $552,928 and $911,812, respectively, compared to $24,090 for the three and six month periods ending November 30, 2002. These results principally reflect the lack of government contract funding during the six month period ending November 30, 2002.

When our government contract is funded, changes in direct costs do not generally impact our operating income because each contract covers its own direct costs. However, during periods when our government contract is not funded, any such costs we may incur are not reimbursable and must be funded from our own resources.

Operating Expenses. Government contractors are required to categorize operating expenses as overhead expenses or general and administrative expenses. These two indirect "cost pools" are then divided by their appropriate "direct cost base" combinations of direct contract cost, which determines the contractors overhead and general and administrative rates. These rates, for our first two government contracts, have been subject to ceilings, which were set at 70% for overhead and 20% for general and administrative. Our third contract is not limited by rate ceilings. Instead, we have negotiated provisional billing rates of 73% for overhead and 28% for general and administrative which we based on forecasted direct and indirect costs. Starting with the end of our fiscal year 2004 our actual rates, based on actual allowable costs incurred, will be submitted to the government for audit at the end of our fiscal year. When our actual rates have been audited, we will adjust our government contract billings higher or lower to reflect the audited actual rates versus the previous estimated provisional billing rates. Our historical rates are shown below.

	For Year Ended 5-31-02	For Year Ended 5-31-03	For Six Months Ended 11-30-03
Overhead Rates	73%	89%	71%
General and Admin. Rates	67%	67%	44%

The above rates for each of the previous periods include only allowable operating expenses and have fluctuated over time. We believe these rates will improve and approach our current provisional billing rates of 73% for overhead and 28% for general administration during the third and fourth quarter of our fiscal year 2004.

Non-contract costs include: 1) expenses considered unallowable per Federal Acquisition Regulations (FAR), such as lobbying and financing costs, 2) over ceiling expenses, or 3) operating expenses incurred during periods without government contract funding. These non-contract costs are not reimbursable under our U.S. government contracts and must be paid from other sources, primarily proceeds from the private placement of our equity securities to date. To date, non-contract costs have been the primary use of this source of liquidity and have had a significant impact on our operating loss and liquidity. Non-contract costs are detailed below:

	For the 6 Months Ending (Unaudited)	
	November 30, 2003	November 30, 2002
Unallowable Expenses (1) & (2)	$213,441	$ 153,048
Over-ceiling Expenses	245,578	7,263
Operating Expenses During Unfunded Period 6-1-02 / 11-19-02	0	390,160
Total	$459,019	$550,471

	For the 3 Months Ending (Unaudited)	
	November 30, 2003	November 30, 2002
Unallowable Expenses (3) & (4)	$81,720	$ 98,809
Over-ceiling Expenses	145,843	7,263
Operating Expenses During Unfunded Period 9-1-02 / 11-19-02	0	193,008
Total	$227,563	$299,080

Notes:

(1) Includes $16,792 of stock based compensation expense for the 6 months-ended 11-30-03.
(2) Includes $12,276 of stock based compensation expense for the 6 months-ended 11-30-02.
(3) Includes $8,396 of stock based compensation expense for the 3 months-ended 11-30-03.
(4) Includes $6,138 of stock based compensation expense for the 3 months-ended 11-30-02.

Our total selling, general and administrative expenses consist of allowable and unallowable expenses and for the three month and six month periods ended November 30, 2003 were $348,157 and $712,577, respectively, compared to $303,722 and $538,728 for the same periods in 2002.

Unallowable selling, general and administrative expenses for the three month period ending November 30, 2003 were $81,720 and decreased from $98,809 over the three month period ending in 2002 primarily due to decreased lobbying expenses which were $21,546 for that period in 2003, compared to $34,605 for that period in 2002. Unallowable expenses for the six months ended November 30, 2003 were $213,441 resulting in a $60,393 increase over the six month period ending in 2002. This increase was primarily due to increased lobbying expenses, which were $82,534 for that period in 2003 compared to $66,869 for that period in 2002 and general unallowable expenses which were $79,068 for that period in 2003 compared to $35,399 for that period in 2002. The increase in general unallowable expenses primarily was a result of company car expenses, labor in support of preparation of this offering registration statement and travel and entertainment, which in the aggregate increased by a total of $59,334.

Allowable selling, general, and administrative expenses for the three and six month period ended November 30, 2003 totaled $266,437 and $499,136 respectively, compared to $204,913 and $385,680 respectively, for the three and six month period ended November 30, 2002. The reason for this increase primarily was due to an increase in legal fees from $27,684 to $77,094 for the three months ended November 30, 2002 and 2003, respectively, and from $50,070 to $145,178 for the six months ending November 30, 2002 and 2003, respectively. This increase reflects the SEC periodic reporting requirements associated with operating as a public company.

Over-ceiling expenses of $245,578 for the six month period ending November 30, 2003 represents 49% of the allowable overhead and general administrative expenses. The remaining 51% of overhead and general administrative expenses for the period, $253,558, were absorbed and billed as part of our costs on our government contract. There was no absorption of these expenses during the same quarter last year as this was an unfunded period.

Over-ceiling expenses and operating expenses during unfunded periods fluctuate from period to period due to the timing of unfunded periods. We expect to be funded through August 31, 2004 which should eliminate the operating expenses during unfunded period category for all of our fiscal year that ends May 31, 2004. We are no longer subject to rate ceilings which should eliminate the over-ceiling expense category during the third quarter of our fiscal year 2004 and for all of the fourth quarter of our fiscal year 2004.

For the Years Ended May 31, 2002 and May 31, 2003

The net loss for our fiscal year 2003 of $943,974 compares unfavorably to the net loss of $809,100 in our fiscal year 2002 and to the net loss of $521,951 in our fiscal year 2001. Our increased net losses for our fiscal years 2003 and 2002 resulted primarily from an 11-month delay, including approximately five and one-half months during fiscal year 2003 and five and one-half months during our fiscal year 2002 in government contract funding for our SOCRATES wake vortex sensor research and development. This delay was caused, in part, by the draft Volpe report as well as the general slow down in the federal bureaucratic process which followed the national tragedy that occurred on September 11, 2001. These results are explained in more detail by the following factors.

Revenues. To date, our revenues have consisted almost entirely of revenues earned from two of our three successive SOCRATES wake vortex sensor research and development contracts with the federal government. Revenues under our government contracts are booked as contract sales when earned.

Contract revenue for our fiscal year ended May 31, 2003 was $1,093,097. This was a significant increase compared to $490,031, which included a reduction of $185,005 of accrued contract revenue for our fiscal year ended May 31, 2002. These results principally reflect the lack of government contract funding for the SOCRATES wake vortex sensor during the eleven month period ending November 19, 2002 and a larger amount of contract work that we completed and billed in our fiscal year 2003.

Direct Contract Costs. Subcontractor, consultant and direct labor expenses comprise our direct contract costs. We resumed work on our SOCRATES wake vortex sensor government contract on November 20, 2002. For the 12 months ended May 31, 2003, direct contract costs of $799,259 compare to $460,244 of such costs for the 12 months ended May 31, 2002. These results principally reflect the 11-month delay in funding under our second government contract and a larger amount of contract work that we completed and billed in our fiscal year 2003.

When our government contract is funded, changes in direct costs do not generally impact our operating income because each contract covers its own direct costs. However, during periods when our government contract is not funded, any such costs we may incur are not reimbursable and must be funded from our own resources.

Operating Expenses. Government contractors are required to categorize operating expenses as overhead expenses or general and administrative expenses. These two indirect "cost pools" are then divided by their appropriate "direct cost base" combinations of direct contract cost, which determines the contractors overhead and general and administrative rates. These rates were subject to ceilings established within our current government contract, which are set at 70% for overhead and 20% for general and administrative. Our historical rates are shown below.

	For Year Ended 5-31-01	For Year Ended 5-31-02	For Year Ended 5-31-03
Overhead Rates	72%	73%	89%
General and Admin. Rates	29%	67%	67%

The above rates for each of our fiscal year ends include only allowable operating expenses and have fluctuated over time. We believe these rates will improve and approach our current proposed, SOCRATES Phase III, rates of 73% for overhead and 28% for general administration during our fiscal year 2004.

Non-contract costs include: (1) expenses considered unallowable per Federal Acquisition Regulations, such as lobbying and financing costs, (2) over-ceiling expenses, and (3) operating expenses incurred during periods without government contract funding. These non-contract costs are not reimbursable under our U.S. government contracts and must be paid from other sources, primarily proceeds from the private placement of our equity securities to date. To date, non-contract costs have been the primary use of this source of liquidity and have had a significant impact on our operating loss and liquidity for our fiscal years 2002 and 2003 to date. Non-contract costs are detailed below:

	For the 12 Months Ended	
	05-31-03	05-31-02
	(Unaudited)	
Unallowable Expenses	$ 293,198	$ 157,012
Over-ceiling Expenses	335,763	140,942
Operating Expenses During Unfunded Periods:		
6-1-02 to 11-19-02	390,160	0
12-15-01 to 5-31-02	0	361,317
Total	$ 1,019,121	$ 659,271

Unallowable expenses for the 12-month period ended May 31, 2003 increased over those for the same period ending in 2002 because of increased lobbying and public relations expenses and an increase in stock-based compensation in our fiscal year 2003 ($65,146) compared to our fiscal year 2002 ($24,522). Lobbying expenses were $104,818 in our fiscal year 2003 compared to $65,696 of such expenses in our fiscal year 2002 and public relations expenses were $81,119 in our fiscal year 2003 compared to $0 in our fiscal year 2002. The increases reflect our focus on acquiring appropriate research and development funding from the federal government, as well as the expenses associated with operating as a public company. Unallowable expenses include $65,146 and $24,522 of stock-based compensation expense for the 12 months ended May 31, 2003 and May 31, 2002.

Over-ceiling expenses during unfunded periods fluctuate from period to period due to the duration and timing of unfunded periods. While funded and unfunded periods in our fiscal years 2003 and 2002 were approximately the same, we experienced a $194,821 increase in over-ceiling expenses in our fiscal year 2003 over our fiscal year 2002 due to increased legal and professional expenses ($202,832 in 2003 compared to $74,052 in 2002) and general and administrative salaries and wages ($174,293 in 2003 compared to $126,763 in 2002). Both of these increases are due to SEC reporting requirements and stockholder relations activities.

Operating expenses during unfunded periods reflect fixed overhead and they are approximately the same for our fiscal year 2003 ($390,160) and our fiscal year 2002 ($361,317). We expect our federal contract to be funded through May 31, 2004, which should eliminate the latter expense category through the end of our fiscal year 2004.

Liquidity and Capital Resources

Our sources of liquidity, which we define as our ability to generate cash to fund our operations, are primarily provided by revenue from our government contracts and proceeds from the sale of our equity securities.

Our funded contract backlogs with Volpe on our second and third contracts as of November 30, 2003 are $145,366 and $3,781,450 respectively. Our third contract, titled Phase III SOCRATES, is the third successive contract that we have received to continue work on our SOCRATES wake vortex sensor. The Phase III SOCRATES contract was initially funded at $3,975,004 and will be used to expand our current SOCRATES wake vortex sensor from its present four beam configuration (which was recently tested at the Denver International Airport) to eight or more beams plus other improvements. The funds were provided to Volpe from NASA's Aeronautical Research Program which is aimed at improving aviation safety and capacity. These funds were part of a Congressional Appropriation for U.S. fiscal year 2003. Funds under the Phase III contract are made available to us pursuant to work orders approved by Volpe and other interested federal agencies.

As of November 30, 2003 and November 30, 2002, our cash was, respectively, $1,904,284 and $1,186,679. The increase in cash on hand as of November 30, 2003 over November 30, 2002 was attributable to $1,700,000 of proceeds from exercise of 850,000 common stock warrants, less the operating losses for the period from December 1, 2002 to November 30, 2003 and capital additions in the six month period ending November 30, 2003. This capital addition consisted primarily of the purchase of four company cars for our executive officers that aggregated $150,000.

As of November 30, 2003, we had other current assets of $243,912 compared to $17,936 as of November 30, 2002. The increase is primarily due to $196,775 of prepaid expenses related to this offering.

As of November 30, 2003, we had total current liabilities, including accounts payable, of $603,218 compared to $273,110 of current liabilities as of November 30, 2002. Accounts payable as of November 30, 2003 were $471,872, which included $191,363 to our subcontractor, Lockheed Martin Corporation and $106,032 for legal expenses in support of this offering compared to accounts payable as of November 30, 2002 of $165,382, which included $5,925 to Lockheed Martin Corporation and $0 for legal fees related to this offering. The increase in current liabilities and accounts payables primarily are attributable to increases in direct costs and our public offering expenses.

We anticipate that our funded contract balance for our second and third contracts of $3,926,816 as of November 30, 2003 will fund our direct contract costs and allowable operating expenses until approximately August 31, 2004, without factoring in the proceeds of this offering. During this period, we have budgeted and expect to incur approximately $275,000 in non-contract costs. Assuming we operate within budget, as to which we can make no guaranty or assurance, at the end of such time, we estimate our available cash, excluding the proceeds of this offering, should be approximately $1,625,000. Any acceleration or delays in the performance of these contracts by us or our subcontractors could, respectively, exhaust or extend our contract funding prior to or after August 31, 2004. In either event, we might be required to draw upon our cash before we anticipate which would reduce the foregoing estimate. These projections do not consider any additional contract funding we may receive from a $5 million appropriation to NASA for project SOCRATES contained in the recently enacted U.S. FY 2004 Consolidated Appropriations Bill. We expect to receive a substantial portion of this

appropriation if and when our sponsoring agencies extend our contract, approve a statement of work and issue appropriate work orders to us.

We anticipate that the net proceeds of this offering, together with projected government contract funding, will be sufficient to fund our operations and capital requirements for at least 24 months following this offering. We cannot assure you, however, that such funds will not be expended earlier due to unanticipated changes in economic conditions or other circumstances that we cannot foresee. In the event our plans change or our assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated.

From time to time, we may consider and execute strategic investments, acquisitions, or other transactions that we believe could benefit us and could require use of some or all of our liquidity. To facilitate such transactions and enhance our liquidity position for these and other purposes, such as working capital for research and development, we also may conduct from time to time various types of equity offerings, including, but not limited to, public or private offerings of common or preferred stock based on a negotiated fixed share value, or floating market price of our publicly traded shares. If we encounter delays in, or are unable to procure, contract funding from the U.S. government for further research development and testing of our SOCRATES wake vortex sensor, incur costs over budget, or make a strategic investment, our cash resources will be reduced more rapidly than we presently anticipate. In such event, we may need to obtain additional capital to maintain operations. There can be no guaranty or assurance of our future ability to obtain capital for any of the foregoing purposes and, if obtained, the terms and conditions of such capital may dilute our present shareholders' ownership.

On December 12, 2003, Public Law 108-176 was passed authorizing FAA funding for U.S. fiscal years 2004 through 2007. The new law, designated "Vision 100 - Century of Aviation Reauthorization Act," authorizes the FAA to spend from its $3 billion Air Navigation Facilities & Equipment annual budget such funds as may be necessary in each of the next four U.S. fiscal years for the development and analysis of a wake vortex advisory system (WVAS). Continued successful testing and acceptance by the government will be required to integrate the SOCRATES wake vortex sensor into WVAS. There is no assurance as to whether or when these funds will be appropriated, whether our wake vortex sensor will be a part of any such system, how these funds will be allocated among us, participating agencies, and other parties presently or in the future involved in development of the wake vortex advisory system, or what portion of these funds, if any, we ultimately may receive.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Effective October 3, 2002, we terminated our then current accountant, Quintanilla, a Professional Accounting Corporation, and engaged Kostin, Ruffkess & Company, LLC, which has offices in Farmington and New London, Connecticut, as our principal independent public accountant. The decision to engage Kostin, Ruffkess & Company, LLC was made by our Finance and Audit Committee in accordance with Section 301 of the Sarbanes-Oxley Act of 2002. The decision was based on a relocation of our principal place of business from California to Connecticut.

Quintanilla's reports on our financial statements since our inception on May 21, 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audit for our fiscal year ended December 31, 2001, and up to the date of termination, there were no disagreements with Quintanilla on any matters of accounting principles or practices, financial statement disclosure of auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Quintanilla would have caused Quintanilla to make reference to the subject matter of the disagreement(s) in connection with its report on our financial statements.

We had not previously consulted with Kostin, Ruffkess & Company, LLC regarding the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion which might be rendered on our financial statements, and no written or oral advice was provided to us concluding there was an important factor to be considered by us in reaching a decision as to an accounting, auditing, or financial reporting issue. Neither did we discuss with Kostin, Ruffkess & Company, LLC any accounting, auditing, or financial reporting issue that was a subject of disagreement between us and Quintanilla, our previous independent accountants, as there were no such disagreements.

Business

Overview

We are developing two proprietary technologies designed to enhance aviation safety and reduce airport delays on which we have received United States and foreign patents. Using our opto-acoustic technology, known as SOCRATES (*Sensor for Optically Characterizing Remote Atmospheric Turbulence Emanating Sound*), we are currently working on development of a sensor to detect and track air disturbances known as "wake vortex turbulence," created by departing and arriving aircraft in the vicinity of airports. We are developing this sensor to be a component for inclusion in a wake vortex advisory system, known as WVAS, that NASA is developing. We believe that our SOCRATES wake vortex sensor, upon completion and deployment in concert with other components of WVAS, can:

- Improve the safety of aircraft arrivals and departures;
- Streamline the air traffic control process;
- Reduce passenger delays; and

- Generate substantial cost savings for the airline industry and other airport users.

A "proof of principle" test of our SOCRATES wake vortex sensor was conducted at JFK International Airport in May 1998. We completed controlled testing of an expanded and improved SOCRATES technology, using a NASA Boeing 757 as the source aircraft, at Langley Air Force Base in December 2000. On September 13, 2003, we completed a three-week test of an improved SOCRATES wake vortex sensor at Denver International Airport. Based upon our analysis of initial data, this test demonstrated a major increase in the capability and reliability of the sensor. Building upon these three tests, we expect to further develop and test the operational viability of our SOCRATES wake vortex sensor in a series of tests at one or more major airports over the next several years.

We have conducted research, development, and testing of our SOCRATES wake vortex sensor in conjunction with Lockheed Martin Corporation pursuant to a ten year teaming agreement dated May 1, 1997 under which we are the prime contractor. Under the teaming agreement, we generally have subcontracted to Lockheed Martin Corporation primary responsibility for development and assembly of the hardware components of our SOCRATES wake vortex sensor, including the low power laser generators, reflectors, and receivers. Lockheed Martin Corporation personnel have operated this equipment during tests of our SOCRATES wake vortex sensor through various stages of development to date, have been developing software used in analyzing test data and worked with us in analyzing test data itself. Our payments to Lockheed Martin Corporation under the teaming agreement have averaged approximately $680,000 per each of our fiscal years and 48% of our average annual contract revenue. The teaming agreement anticipates that upon full approval and deployment of our SOCRATES wake vortex sensor, we would continue to subcontract these responsibilities and services to Lockheed Martin Corporation.

We also are developing a collision avoidance and ground proximity warning system for small aircraft based on our technology referred to as UNICORN (*Universal Collision Obviation and Reduced Near-Miss)*. We recently received a frequency assignment from the Federal Communications Commission for experimental purposes and development of UNICORN and have signed a contract with Georgia Tech Applied Research Corporation, or GTARC under which GTARC has commenced work on the construction of our UNICORN antenna elements. We plan to integrate the antenna with electronics, displays, and processing elements into a collision alerting and ground proximity warning system aimed at the general aviation market. We also have begun exploring the application of this technology to unmanned air vehicles and other specialized commercial and government flight operations.

Since our inception, our primary source of funding has been three successive contracts with the federal government aggregating approximately $13 million for research, development and testing of our SOCRATES wake vortex sensor. We have not had any revenues from commercial sales of either SOCRATES or UNICORN, and we do not expect such sales for several years. We have incurred cumulative losses of $2,460,023 as of May 31, 2003 which we have funded with the proceeds of two private equity offerings. We may need to raise additional capital to complete our future research and development. We may consider and execute from time to time strategic investments, acquisitions or other transactions that we believe will benefit us and complement our current operations, technologies, and resources.

History

We are a Nevada corporation that was incorporated in May 2001 under the name of Reel Staff, Inc. to provide staffing services to film, video and television production companies. Prior to a share exchange in September 2002 with the shareholders of Flight Safety Technologies, Inc., or FSTO, a Delaware corporation, our operations were minimal and our revenues were not material. Our organization and limited operations primarily were funded by (i) a contribution of services from shareholders, who in return were issued common stock and (ii) $12,075 of proceeds from a private placement of our common stock to investors. In October 2001, we registered these shares with the SEC under the Securities Act of 1933 pursuant to an SB-2 Registration Statement, as amended, that we filed with the SEC in order to make our shares of common stock eligible for public trading. Since that time, we have filed periodic reports with the SEC pursuant to the Securities Exchange Act of 1934.

In September 2002, we consummated a share exchange with the stockholders of FSTO. FSTO originally commenced operations in 1997 as a Wyoming corporation. FSTO was co-founded by two of our directors, Samuel A. Kovnat and Frank L. Rees. In consideration of his shares, Mr. Rees assigned his SOCRATES and UNICORN patents to FSTO. In consideration of Mr. Kovnat's shares, he contributed intellectual capital and services to FSTO. Advanced Acoustic Concepts, Inc. and Leonard Levie were also founders of FSTO. Advanced Acoustic Concepts, Inc. received shares of common stock in FSTO in consideration of its release of any claims on the UNICORN patent contributed by Mr. Rees and Mr. Levie received his shares in consideration of contributing his business experience, and developing an initial business plan for FSTO. As a result, FSTO owned patents on our SOCRATES and UNICORN technologies. FSTO received our original contract with the federal government for the research and development of our SOCRATES technology in connection with its potential application to wake vortices on May 29, 1997. Since then, FSTO has received two additional contracts for the continuation of research and development of our SOCRATES technology. On November 3, 2000, FSTO completed a private placement of preferred stock arranged by Spencer Trask Securities Incorporated which resulted in net proceeds to it of approximately $1,500,000. In consideration of this placement, Spencer Trask Intellectual Capital Company, LLC received shares of our common stock and warrants to acquire our preferred stock, as well as placement agency fees and reimbursement of certain costs. All of the preferred shares and warrants for preferred shares were converted, respectively, to common stock and warrants for common stock pursuant to their terms as a result of the share exchange.

The share exchange was facilitated by Dunhill Venture Partners Corp., a Vancouver based firm. Dunhill Venture Partners Corp. also facilitated a private placement of a total of 283,334 shares of our common stock and 283,334 warrants, each for one share of our common stock, to Wakefield Holdings Corp. and Nicholson Group Limited, pursuant to Regulation S promulgated by the SEC, which resulted in aggregate proceeds to us of $1.7 million. In January 2003, we registered these shares and the warrant shares with the SEC pursuant to an SB-2 Registration Statement. During July and August 2003, the warrants were exercised, and we issued the 283,334 warrant shares, generating $1.7 million in aggregate proceeds to us. As a result of the share exchange, we discontinued our previous operations and changed our name to Flight Safety Technologies, Inc., FSTO changed its name to Flight Safety Technologies Operating, Inc., FSTO became our subsidiary and stockholders of FSTO acquired approximately 53% of our outstanding common stock. In June 2003, FSTO merged into us, and we now own the patents on and are continuing the development of our SOCRATES and UNICORN technologies. The financial information contained in this prospectus reflects the consolidated results of our operations and those of FSTO.

Principal Products Under Development and Market Opportunities

SOCRATES Technology

General

Based on testing to date, we believe our SOCRATES technology will provide sensor information for a ground-based wake vortex advisory system, or WVAS, to detect dangerous air turbulence that:

- Is designed to operate in all weather conditions;
- Is accurate, and can detect even weak disturbances;
- Provides early warnings to pilots and air traffic controllers of hazards they may encounter;

- Does not require the presence of large atmospheric particles such as rain or ice crystals to detect disturbances; and
- Is cost-effective and easy to implement.

SOCRATES is our proprietary opto-acoustic technology designed to detect, locate and track forms of air turbulence, including clear air turbulence. While our present focus is on air turbulence created by aircraft wakes, we believe that with future research and development our SOCRATES technology may also enable the detection of certain natural atmospheric phenomena, such as windshear and microbursts.

Air turbulence creates patterns of low-frequency sound waves something like the ring patterns that form in a body of water after a pebble has been tossed into it or a boat has cut through it. These low-frequency sound waves typically travel for long distances through the atmosphere without impediment. As currently developed, our SOCRATES wake vortex sensor uses low power lasers to project light beams 50 to 100 meters across the ground in the vicinity of airport approach and departure corridors. Reflector devices direct the beams back to a receiver. SOCRATES measures changes in the speed of the light waves of the laser beams. These changes indicate that the laser has interacted with sound waves emanating from air disturbances. Based on these changes, we believe SOCRATES technology, upon completion of research, development and testing, will enable a WVAS to remotely sense the presence of atmospheric turbulence.

Unlike radar technologies, we believe SOCRATES will be effective without need for the presence of rain, ice crystals, or other aerosols because SOCRATES uses lasers to detect interaction with sound waves, not with atmospheric particles.

We believe SOCRATES-based WVAS's will be relatively cost-effective and easy to implement because they typically will not require airports to build large towers, acquire additional land on their peripheries, or engage in potentially lengthy and costly environmental negotiations with residential communities, as is required to install Terminal Doppler Weather Radar, or TDWR, systems. In addition, SOCRATES may offer all-weather capability.

Alternate technologies for detecting air turbulence phenomena can be unreliable, inaccurate, expensive, difficult to implement, or incapable of providing sufficiently early warnings for pilots to take appropriate action. We believe the products we are developing and intend to develop based on SOCRATES may mitigate many of the shortcomings associated with these types of technologies.

SOCRATES Wake Vortex Sensor

Whenever an airplane is in flight, and especially when flying slowly, as during takeoff, approach, and landing, the wing flaps and wings create wake vortices, which are similar to horizontal tornadoes trailing back from the wing tips. If another plane enters this vortex, even several minutes after the first plane has passed, the pilot's control of the aircraft may be compromised. To address these hazards, the FAA, for decades has set spacing requirements between airplanes as they land and take-off. In 1996, the FAA expanded its requirements for plane separations by introducing a new category for separation behind B-757 aircraft. The increased space between planes has translated into even more time in the air, which causes flight delays and increases in fuel and flight crew costs.

Our initial focus for SOCRATES is development of a wake vortex sensor to detect, locate and track wake vortex turbulence. The sensor will include a low power laser transmitter and receiver, a reflector and special computer electronics designed to translate changes in laser transmissions into data on the presence and location of wake vortex turbulence. We believe wake vortices will be detected at sufficient range to provide pilots with advanced warning of the nature and location of these potential hazards. We are designing our sensor so that upon successful completion of development and FAA approval, it will be a component in a WVAS to be used by air traffic controllers in establishing safe separation between successive arriving and departing aircraft. To complete development of a prototype operational sensor, we must, among other things, expand the present 4 beam sensor to 16 to 32 beams, integrate the sensor with other components of WVAS, and develop operating protocols for WVAS and the sensor that define how they would be used by air traffic controllers and pilots. NASA and the FAA are planning for the integration of other components of WVAS including advanced weather sensors, prediction software for both the vortex movement and the persistence of existing wind conditions, adaptive spacing procedures and communication links between the sensors and the air traffic control towers. WVAS still faces technical hurdles and, furthermore, must be accepted by a variety of constituencies involved in the National Air System, including, but not limited to, air traffic controllers and pilots. We can make no assurance whether and when the FAA will implement WVAS, with or without our SOCRATES wake vortex sensor.

We expect our SOCRATES wake vortex sensor will generate information that will assist pilots and air traffic controllers to determine more precisely when it is safe for a plane to land or take off. This may enable the FAA to decrease aircraft spacing, thereby increasing airport capacity, reducing flying time and saving money. Our SOCRATES wake vortex sensor also would increase safety by issuing an alert to controllers in instances where a standard separation may not have given sufficient time for a wake vortex to dissipate or move out of the way. A "proof of principle" test of our SOCRATES wake vortex sensor that operated with 2 laser beams was conducted at JFK International Airport in May 1998. We completed controlled testing of an expanded and improved SOCRATES wake vortex sensor that operated with 4 laser beams, using a NASA Boeing 757 as the source aircraft at Langley Air Force Base in December 2000.

In September 2003, we completed a three-week test of an improved SOCRATES wake vortex sensor that operated with 4 laser beams at Denver International Airport. This experiment was part of a NASA-sponsored wake acoustics test and is part of NASA's continuing efforts to improve aviation safety and capacity. Our SOCRATES wake vortex sensor was set up together with a microphone array provided by the German Aerospace Corp. (D.L.R.). NASA and U.S. Department of Transportation (Volpe) used a larger, 252 microphone array together with Continuous Wave and Pulsed Lidar systems and an array of supporting meteorological sensors to study the sound emitted from wake vortices. The principal purpose of this NASA-sponsored test was to acquire adequate field data using carefully calibrated microphone arrays to develop a firm scientific basis for the use of sound in detecting, tracking, and characterizing wake vortices created by arriving aircraft. The operation of our SOCRATES wake vortex sensor recorded acoustic emissions generated by wake vortices from over 1,000 aircraft, including Boeing 737 and 757 aircraft, Airbus A319 and A320 aircraft, and even smaller regional jets. The sensor recorded these emissions directly above our sensor at an elevation of approximately 500 feet above ground level. We performed a preliminary analysis of the results and provided a "quick-look" report to NASA and Volpe in October 2003. Based upon our analysis of initial data, this test demonstrated a major increase in the capability and reliability of the sensor.

As a result of our Denver test, we now plan to expand our SOCRATES wake vortex sensor to 8 to 16 beams and test this expanded sensor in the middle of 2005 or earlier.

Our goal in the test of our expanded sensor is to detect and track wake vortices at ranges up to 2.5 nautical miles and altitudes up to 1,500 feet above the sensor site. We have performed analysis based on phased array radar and sonar systems which we believe indicate that this goal should be achievable. If this test is successful, we believe that we will be able to produce a prototype of an operational SOCRATES wake vortex sensor in 2006 or 2007. If and when the FAA approves our sensor and proceeds with the implementation of WVAS, we anticipate that the FAA will include our sensor in the installation of WVAS at major U.S. airports. Each of these airports will require a system customized for its particular runway layout and topography. At this time, we do not know if we can successfully develop our SOCRATES wake vortex sensor, if the federal government will provide the funding required to complete our plan, if we will successfully implement the plan and testing or if the government will implement WVAS at all or with the inclusion of our SOCRATES wake vortex sensor.

SOCRATES Wake Vortex Sensor Market Opportunity

The FAA is the federal agency in charge of airport safety and air traffic control. In this role, it acquires, owns and is responsible for operating the equipment that monitors and controls the National Airspace System, including the equipment deployed at airports and in all air traffic control towers. As such, the FAA would be our primary customer for our SOCRATES wake vortex sensor.

In June 2003, the FAA approved a long-term mission needs statement and related investment plan that contemplates expenditures by FAA and NASA of $206 million during the period running from U.S. fiscal year 2003 through 2010 on wake vortex detection research and development. The FAA investment plan includes deployment of a prototype WVAS and culminates in development of wake turbulence capability at selected airports and integration with controller tools. The mission needs statement may not be approved at all necessary levels of the federal government, and the federal government may not provide the funding required to complete the mission needs statement. This funding must be annually requested by the FAA, authorized and approved by Congress, and approved by the President. There is no assurance as to what amount of contract funding, if any, we will receive in connection with the mission needs statement to complete the research, development, and testing of our SOCRATES wake vortex sensor for inclusion in a WVAS. The FAA has assigned an overall moderate to high risk rating to the implementation of this program due to technical unknowns and risks associated with getting controllers and pilots to accept a ground or flight deck based system.

We believe the FAA's substantial investment in addressing the problems associated with wake vortex turbulence and its issuance of the long-term mission needs statement for wake turbulence indicate its belief that there is a growing need in the aviation industry for technologies to combat the wake vortex problem. There are many other participants and constituencies that could have an interest in the deployment and financing of our sensor as part of a WVAS. For example, the International Federation of Airline Pilots Associations, or IFALPA, which represents over 100,000 pilots worldwide and is recognized as the global voice of pilots on both labor and aviation safety issues, officially supports the development of systems that can safely reduce the current wake vortex-related spacing requirements. Airports, which are typically owned and operated by state and local authorities, also have a natural interest in increasing airport safety and efficiency. Airlines also could benefit from installation of a WVAS, which we believe could include our SOCRATES wake vortex sensor, through increased safety and efficiencies and a reduction in fuel costs attributable to delays.

Factors contributing to industry support include:

- *Airline traffic delays from all causes at busy airports.* The Air Transport Association estimated that delays attributable to the air traffic control system cost the industry and its passengers and shippers a record $6.5 billion in 2000. These costly delays could be reduced if landings and take-offs were optimally spaced based on actual vortex behavior.

- *Resistance to building additional runways to alleviate airport congestion.* Airports do not want to bear the expense, which can run in the billions of dollars, and surrounding communities do not want to suffer the adverse environmental and aesthetic effects, of adding runways.

- *Public pressure on governmental agencies to promote aviation safety.* Recent aviation catastrophes and near-disasters, especially those with unexplained or turbulence-related causes, have focused public attention on air safety.

The target market for our SOCRATES wake vortex sensor will include 142 of the busiest airports worldwide. We initially will focus on U.S. airports with closely spaced parallel runways, such as the San Francisco, Anchorage, Newark, Boston Logan, Philadelphia, St. Louis, and Los Angeles International Airports. To improve safety and reduce delays, many of these airports are planning to adopt Simultaneous Offset Independent Approaches, or SOIA, a new set of landing procedures for parallel runway airports that address the problems of wake vortex turbulence under heavy traffic and inclement weather conditions. We believe that our SOCRATES wake vortex sensor will be instrumental in helping the FAA and airports to achieve approval and implementation of SOIA procedures.

Based upon installations at 142 airports worldwide, we estimate the market size for our SOCRATES wake vortex sensor as part of a WVAS at approximately $1 to $2 billion. Our estimate is based on, among other things: our assumption of successful product development and FAA certification; estimates we performed of the number of airports that would benefit from the implementation of WVAS; the number and configuration of runways; a long-term projection of the cost of manufacturing, installing, and testing our SOCRATES wake vortex sensor; and the cost of our current four-beam SOCRATES wake vortex sensor scaled up to an operational 16-beam sensor at each end of the runway. We estimate the price of our SOCRATES wake vortex sensor to be between $6 to $15 million per airport installation. These projections do not include any revenue from field service which we plan to provide if appropriate arrangements can be made with specific airports and the FAA. These estimates have not been reviewed or validated by any third party. We have not updated and have no plans to update these projections.

These estimates also assume the availability of funding from the FAA, airports and other sources for purchase and installation of our SOCRATES wake vortex sensors as part of WVAS. While we hope the FAA and U.S. government will support such purchase and installation of our SOCRATES wake vortex sensors, when and if a WVAS becomes operational, we do not have any commitment or assurance from the FAA or other branches of the U.S. government to support us in this regard.

UNICORN Technology

General

The purpose of our UNICORN technology is to provide a low-cost, combined, collision alerting and ground proximity warning capability for general aviation aircraft, including private, business and smaller regional and commercial aircraft. We are also investigating the application of our UNICORN-based "see and be seen" collision avoidance technology for unmanned air vehicles, or UAVs, including military, other government, and commercial operations.

Our UNICORN technology uses a unique implementation of existing radar technology in an airborne system to detect and track nearby aircraft and detect the ground below and ahead of the airplane. Fixed element antennas on the top and bottom of the aircraft provide full spherical coverage for threat detection. The 50 elements on each antenna provide directionality in 30 degree beams in the horizontal plane and at 45 degree elevation above and below the horizontal, plus single beam polar coverage. Interpolation of radar returns between beams provides for even more precise directionality. The range of this low-powered radar is designed to be at least four nautical miles, providing alerting times on all threat aircraft equivalent to resolution advisories standards for the Traffic Collision Avoidance System, or TCAS, for commercial airliners. Pilots would be alerted to a potential collision threat by both aural and visual means, and the locations of the threat aircraft would be shown on either an existing or dedicated cockpit display.

Following a recommendation from the FAA, in September 2002, the FCC issued us an Experimental Radio Station License facilitating UNICORN antenna development on either of two frequencies: 5145 MHz in the FAA aviation band and 3650-3700 MHz in the non-aviation band. These frequencies may be used at any of three designated locations in the eastern U.S. until August 2004. Extensions of the approval are available by application.

In August 2003, we signed a contract with Georgia Tech Applied Research Corporation, or GTARC, under which GTARC has commenced work on the construction of our UNICORN antenna elements. Design trade-off testing of these antenna elements should enable construction and testing of the full antenna in 2004. In 2005, we plan to integrate the antenna with electronics, threat software and displays and perform ground-based demonstrations of full functionality. In 2006, we plan to produce an airborne UNICORN warning system. We plan to perform flight certification testing in 2007. We are also exploring the application of this technology to collision avoidance for unmanned air vehicles and other specialized commercial and government flight operations. Once prototypes have been developed and satisfactorily tested, the FAA certification process is expected to take a protracted period of time before operational use anywhere in the domestic airspace of the U.S. will be approved, if at all. Certification and approval to sell to the foreign general-aviation market is likely to take even longer.

We acquired the UNICORN technology from Advanced Acoustic Concepts, Inc., or AAC, in January 2000 in exchange for shares of our common stock. We have agreed to pay AAC a lump sum payment of $150,000 after we receive revenues from sales of UNICORN products of $1,000,000. In addition, we will pay to AAC a continuing royalty of 3% of all net sales of UNICORN products thereafter.

UNICORN General Aviation Collision Alert and Ground Proximity Warning System

Our UNICORN product for the general aviation market will consist of three parts: a subdivided radar antenna mounted on the top and underside of the aircraft; computerized electronics; and an audio alert and visual display. The antenna will transmit and receive radar signals to obtain omni-directional coverage within a sphere of safety out to about four nautical miles. Computerized electronics will process reflected radar signals through a decision logic that will calculate estimated ranges and closure rates of other aircraft and/or the ground. An audio alert signal will be triggered when approaching aircraft or proximity to the ground constitutes a threat within defined parameters that are consistent with those currently used by more expensive systems such as TCAS. There also will be a visual display that locates and tracks other aircraft and the surrounding terrain.

UNICORN UAV Collision Avoidance System

We are also in preliminary discussions with NASA about the possible use of UNICORN technology on Unmanned Air Vehicles, or UAV's, to perform the "see and avoid" function required of the pilot in all manned aircraft. There is increasing interest on the part of civil and military authorities in operating UAVs in parts of the National Airspace System other than military restricted areas. These operations could not take place unless the collision safety issue is addressed. Existing systems like TCAS cannot detect aircraft operating without transponders. We believe that our UNICORN technology has the potential to meet this emerging need.

A UNICORN-based UAV collision avoidance system would contain an antenna and computerized electronics that are similar in concept to those used in the general aviation products. However, the audio alert and visual display would be replaced by a computerized interface with the onboard flight control system of the UAV. This interface will override the flight control system to cause the UAV to take evasive maneuvers required to avoid collision with other aircraft and/or ground-based objects such as terrain and obstructions.

NASA has issued a set of criteria for applicants to enter into a cost-sharing arrangement aimed at development of UAV technology. We are currently working on a response to this invitation, and believe that our technology is well positioned for adaptation to UAVs. We also believe that the frequency assignment that we have received from the FCC through the FAA will provide us with a competitive advantage in this application.

UNICORN Technology Market Opportunity

Our target market for this product will be individual and corporate owners of smaller, general aviation aircraft, which the FAA estimates numbered approximately 211,000 in the United States in 2001. Collision warning and ground proximity systems currently available for small aircraft are generally priced at retail between $20,000 and $50,000 and, as a result of their high price, have a very low penetration of the general aviation marketplace. We believe our UNICORN technology will enable us to use a more autonomous design to produce a system with similar and some superior capabilities to those of currently available alternatives at a lower cost. Based on anticipated component and labor costs, we estimate a wholesale price for our UNICORN product of about $10,000 per system.

Sales and Marketing

SOCRATES Wake Vortex Sensor

We believe that, upon successful completion of research, development, testing of our SOCRATES wake vortex sensor and the WVAS, the FAA will approve use of our SOCRATES wake vortex sensor and implement the WVAS due to the growing demand for cost-effective ways to improve airport safety and capacity and the advantages of our technology over existing alternatives. Our strategies for selling SOCRATES-based products for use in airports will include:

- Closely coordinating with the FAA, which will acquire and deploy WVAS including SOCRATES technology at United States airports;
- Assisting airports to apply for the allocation of airport improvement grants to acquire WVAS;
- Targeting the 100 busiest airports in the world with a campaign including informational seminars and direct marketing; and
- Publicizing the advantages of our SOCRATES wake vortex sensor in promoting advanced air safety and airport productivity to members of Congress, aircraft manufacturers, commercial airlines, and air travel trade industry groups.

UNICORN Technology

We believe that, upon completion of research, development, testing and FAA certification, our UNICORN technology will be able to penetrate the aviation industry due to the growing demand for relatively inexpensive collision warning and ground proximity systems and the advantages of our technology over existing alternatives. Our strategies for selling UNICORN-based products to the general aviation markets will include:

- Forming relationships with established distributor networks for general aviation avionics to address the retrofit market; and
- Building a market for the installation of UNICORN-based products in new general aviation planes by forming alliances with small plane manufacturers such as Cessna, Gulfstream, Raytheon and Piper.

Potential New Product Development

We believe that upon completion of research, development and testing of our SOCRATES wake vortex sensor, SOCRATES technology may be extended to enable the detection, location, and tracking of potentially deadly air turbulence phenomena other than wake vortex turbulence, which include:

- *Windshear*. Thunderstorms and other highly unstable atmospheric events can cause windshear, a sudden, rapid change in wind velocity or direction. The most dangerous form of windshear is a microburst, which occurs when the cold air high in cumulus clouds or thunderstorms falls rapidly to the ground and fans out in all directions. A plane approaching a microburst experiences increasing headwinds and a turbulent altered flight path, and, as it flies further into the microburst, it may experience increasing tailwinds and loss of lift.

- *Clear-Air Turbulence*. One of the most common aviation hazards and sometimes the most damaging is clear-air turbulence, or CAT, which can occur even when no rain or other adverse weather conditions are present. One form of CAT occurs near the ground when a windstorm passes down a steep, rough mountainside forming a layer of air that often turns suddenly upwards and begins to rotate in circles. As these "rotors" multiply they form a series of more violent, spinning air masses, and the waves above them can rise up to altitudes of 30,000 feet or more, about the normal cruising height for most airliners.

Products addressing these atmospheric hazards may include:

- *Airport Area Weather Hazard Surveillance System.* This product would expand SOCRATES technology to enable the detection, location and tracking of other types of weather hazards such as clear air turbulence, windshear and microbursts, in addition to airplane wake vortices. We will need to perform significant additional research, development and testing of our SOCRATES technology to expand it to an all-weather hazard area surveillance system.

- *Airborne En-Route Turbulence Warning System.* This product would use our SOCRATES technology in an aircraft-based system for detecting dangerous air turbulence throughout a flight. To develop this system, we will need to study ways to use naturally occurring airborne particles that are present regardless of weather conditions, as reflectors for the lasers used in our SOCRATES technology. We also intend to develop models and computer software to interpret return signals, as well as pilot-friendly cockpit display and alerting systems. This system will require substantial additional research and development and testing to determine its commercial viability, which we estimate could cost in the range of $50 million or more. We therefore view it as a long-term development project and expect to focus primarily on our other products in the near future.

Competition

SOCRATES Wake Vortex Sensor

The aviation and airport safety business is very competitive. We expect competition in hazardous weather applications to intensify as air travel and airport congestion continue to increase worldwide, and as public scrutiny of aviation safety heightens. Although we are not aware of any other company or organization developing technologies such as ours, it is possible that others could develop or improve their systems to achieve similar results. We may face competition from established companies in the aviation systems marketplace, which are currently providing or developing technologies and products such as Low Level Windshear Alert Systems, airborne and ground-based Doppler Radar, Lidar, Laser Doppler Velocimetry, Terminal Doppler Weather Radar, and the Minix Winglet. These companies include Allied Signal/Honeywell, Coherent Technologies, Northrop Equipment Corp., Raytheon Corp., Christian Hugues and others. The chart below describes these alternative ground-based technologies.

Technology	Description	Limitations	Mfr.	Status
Low Level Windshear Alert Systems ("LLWAS")	• Detects windshears & microbursts 50 - 150 feet above ground • Alerts triggered when wind speeds are not consistent at multiple wind sensors around airport and runways	• Limited range • Can be unreliable • Early warning insufficient since only detects windshear in immediate vicinity	Raytheon	Commercially Available
Doppler Radar	• Airborne and ground-based systems • Detect speed and location of disturbances by reflecting electromagnetic waves off atmospheric particles	• Often misses small phenomena • Limited detection range • Need airborne rain or ice crystals to reflect radar • Insufficient early warning	Raytheon	Limited Installations
Lidar ("Light detection and rangefinding")	• Airborne and ground-based systems • Detect disturbances by measuring the reflection and scattering of a powerful infrared pulse • Greater range and accuracy than radar	• Does not work in clouds • Insufficient early warning	Coherent Technologies, Inc.	Commercially Available
Laser Doppler Velocimetry	• Airborne and ground-based systems • Measures the speed and location of disturbances by analyzing the frequencies of two laser beams reflected off atmospheric particles • Greater range and accuracy than radar	• Does not work in clouds • Insufficient early warning	None	Research and Development

Terminal Doppler Weather Radar ("TDWR")	Ground-based system Detects hazardous atmospheric conditions in the airport terminal area Detects changing winds to give early warning of hazardous conditions Highly reliable and accurate	Requires tall towers to be installed 8-12 miles away from airport, which are expensive and often encounter resistance from residential communities Does not capture small phenomena like wake vortices	Raytheon	Limited Installations
Minix Winglet	Solid, light wing tip attachment made of Kevlar and carbon Eliminates vortex pressure around wings Increases speed Reduces fuel consumption Allows aircraft to carry more weight	May not address the dominant wake vortices created by the outer tip of the main flap May adversely affect the lift-to-drag ratio of the aircraft	None	Research and Development

We believe our SOCRATES wake vortex sensor will offer many advantages over the products and technologies provided by these competitors, although further research, development, and testing are needed to complete this sensor and make it operational. We believe that once our SOCRATES wake vortex sensor is fully developed and operational, these advantages will position us to penetrate the market, particularly for a ground-based wake vortex sensor. We believe the advantages of a wake vortex sensor based on our SOCRATES technology will include:

- Greater reliability in foggy or cloudy weather conditions that often impede lidar-based systems;
- Superior accuracy, even for small disturbances other systems often miss;
- Earlier warning of potential hazards;
- No need for large atmospheric particles to detect disturbances; and
- Greater cost-effectiveness and easier implementation.

UNICORN Technology

We believe our UNICORN-based products will offer important advantages over currently available alternatives. We anticipate a system based on this technology would utilize a unique arrangement of radar antennae to provide pilots with visual and aural warnings of approaching aircraft at a much lower cost than alternative systems. The UNICORN technology involves aviation aircraft transmitting a radar signal that creates a minimum "sphere-of-safety" around the aircraft and selectively receives and determines the direction of any radar echo from potential threat aircraft entering that coverage area or territory. This differs from the current FAA Traffic Collision Avoidance System, or TCAS, that utilizes a radar transponder interrogator located on the commercial aircraft it is intended to protect. Theoretically, for TCAS to be truly effective, every potential large or small threat aircraft would be required to carry a radar beacon transponder to respond to the commercial aircraft's interrogation. UNICORN technology is designed so that once adequately alerted, the smaller aircraft would be better able to maneuver "out of harm's way" than a larger, commercial aircraft.

Technology	Description	Limitations	Mfr.	Status
Transponder	9900BX Traffic Advisory System	Only detects transponders; Relatively expensive	Ryan	In production
Transponder	Monroy ATD-200	Only detects transponders; Does not provide time to collision	Monroy	In production

Transponder	L3-Goodrich Skywatch Traffic Advisory System	Only detects transponders	Goodrich	In production
TCAS	Traffic Alert & Collision Avoidance System	Only detects transponders; Relatively expensive	Rockwell/Honeywell	In production

General

Our ability to compete successfully in the market for air safety products will depend on our success in:

- Completing on a timely basis the research and development, prototyping, testing, and production of our SOCRATES and UNICORN-based products;
- Obtaining FAA approval of our SOCRATES wake vortex sensor and UNICORN products;
- Marketing and selling our products to airports, the FAA, airlines and manufacturers and owners of general aviation aircraft;
- Promoting awareness and acceptance of our products among members of Congress and other government officials, aircraft manufacturers, commercial airlines, and air travel industry trade groups; and
- Developing and/or acquiring additional technologies and products to meet the changing needs of the aviation industry.

Many of our potential competitors have longer operating histories, greater name and brand recognition and substantially greater financial, technical, marketing, management, service, support, and other resources than we do. Therefore, they may be able to respond more quickly than we can to new or changing opportunities, technologies, standards or customer requirements. We may not be able to compete successfully against current or future competitors, and the competitive pressures may materially and adversely affect our business, operating results and financial condition.

Government Funding

Substantially all of our time and expenditures have been spent on the research, development and testing of our SOCRATES wake vortex sensor. A substantial portion of our funding for research and development contracts of our SOCRATES wake vortex sensor has and is expected to continue to come from appropriations of the federal government. These appropriations, from which we have been allocated an aggregate of approximately $13 million in contract funding to date, have been earmarked by Congress for the procuring federal agencies, FAA and NASA, which are responsible for funding, monitoring and administering the development of technology to enhance airport and airline safety.

In February 2003, the President signed into law as part of the Fiscal Year 2003 Omnibus Appropriation Bill, an addition to the NASA budget for our SOCRATES wake vortex sensor. From these funds, we have received a contract for approximately $3.975 million for continued research, development, and testing of our SOCRATES wake vortex sensor as part of a NASA/FAA development of a wake vortex advisory system for use at major airports. This contract funds an expansion of our SOCRATES wake vortex sensor from four beams to at least eight beams.

Proposed federal legislation entitled "Flight 100 - Century of Aviation Reauthorization Act" has been released by a Senate/House conference committee. The original House language specified up to $20 million per year which could be used by the FAA in US fiscal years 2004-2007 to demonstrate and document the operational benefits of WVAS. The conference committee language does not include a specific funding amount but continues the authorization with the following language: "such sums as may be necessary for each of fiscal years 2004 through 2007 may be used for the development and analysis of wake vortex advisory systems." We are aiming to complete development of our SOCRATES wake vortex sensor for inclusion in any such system which NASA is currently developing. The government must successfully test and accept WVAS and our SOCRATES wake vortex sensor for integration into any such system. The proposed legislation has been approved by both the Senate and House and must be signed by the President before it becomes enacted into law. Also, funds can only be made available for each year by appropriation legislation and pursuant to contract and work orders between us and the procuring federal agency.

Upon successful completion of research and development of our SOCRATES wake vortex sensor, we would also depend upon the FAA for procurement and installation of WVAS including our sensor in U.S. airports. In June 2003, the FAA approved a long-term mission needs statement that contemplates expenditures by FAA and NASA of $206 million during the period running from U.S. fiscal year 2003 through 2010 on wake vortex detection research and development, including deployment of a prototype WVAS and culminating in development of wake turbulence capability at selected airports and integration with controller tools. The mission needs statement may not be approved at all necessary levels of the federal government, and the federal government may not provide the funding required to complete the mission needs statement, which must be annually requested by the FAA, authorized and approved by Congress, and approved by the President. There is no assurance as to what amount of contract funding, if any, we will receive in connection with the mission needs statement. The FAA has assigned an overall moderate to high risk rating to this program due to technical unknowns and risks associated with getting controllers and pilots to accept a ground or flight deck, or both, based system.

The U.S. government may terminate our government contract at any time if it determines such termination is in the best interests of the government or may terminate, reduce or modify it because of budgetary constraints or any change in the government's requirements. Furthermore, the federal government may hold, reduce or eliminate future funding for research and development of our SOCRATES wake vortex sensor or WVAS as a result of a reduction in support or opposition from supervising agencies, changes in budgetary priorities or decisions to fund competing systems or components of systems. If this occurs, it will reduce our resources available for research and development of our proprietary technologies, new products or enhancements to our SOCRATES or UNICORN technologies and to market our products. Reduction of funding from the federal government could delay achievement of or increases in profitability, create a substantial strain on our liquidity, resources, and product development, and have a material adverse effect on the progress of our research and development and our financial condition.

Our Intellectual Property and Technology

SOCRATES Technology

We intend to rely on a combination of patent protection, trademark protection, trade secret protection, copyright protection, and confidentiality agreements to protect our intellectual property rights. We have received a United States patent relating to our SOCRATES technology (US 6,034,760 A issued on March 7, 2000). We have pending patent applications abroad relating to our SOCRATES technology. However, there can be no assurance any patent will issue from these pending applications. We also may apply to federally register various copyrights in our software and documentation with the United States Copyright Office and abroad.

Our SOCRATES technology patent, includes two fundamental claims: a method claim and an apparatus claim. The method claim covers a laser device that produces an optical beam, directs that beam into the atmosphere and measures the effect of sound waves on the beam as an indicator of hazardous weather conditions that have produced those sound waves in the atmosphere. The apparatus claim covers the apparatus for performing the method claim. Both of these claims cover systems that are mounted either directly on the front of an aircraft or on the ground adjacent to a runway. We have filed corresponding patent applications, based upon the United States application, for a patent on our SOCRATES technology in Canada, Japan, China, Israel, Australia, New Zealand, South Korea, Saudi Arabia, and throughout the United Kingdom and Europe. Our contract with the federal government expressly preserves our exclusive rights to our SOCRATES technology.

UNICORN Technology

We also have received a United States patent relating to our UNICORN technology (US 6,211,808 B1 issued on April 3, 2001). We have filed corresponding patent applications, based upon the United States application, for a patent on our UNICORN technology in Canada, Japan, Australia, New Zealand and countries throughout the United Kingdom and Europe. However, there can be no assurance any patent will issue from these pending applications. We also may apply to federally register various copyrights in our software and documentation with the United States Copyright Office and abroad.

Our UNICORN technology patent includes claims which cover a collision avoidance airborne radar system. The invention incorporates a unique antenna design which provides three-dimensional surveillance to provide collision warning as well as ground proximity and terrain avoidance alerting to the pilot.

It selectively uses each microwave sector as a way to determine the direction of any received radar echo from another close-by aircraft or the ground below or terrain ahead that poses a potential threat within that coverage. Controlling the integration of these functions permits detection of several almost simultaneous potential threat encounters. The claims cover any UNICORN-based system whose antenna may be fabricated in an equivalent way and subdivided for low drag-profile mounting above and below the fuselage of an aircraft. The UNICORN system is fully independent, in that, unlike most other collision avoidance systems in current use, it does not require that other aircraft in the vicinity have a cooperative warning system such as a transponder beacon.

Government Approval and Regulations

The airport and airline industry is subject to extensive government oversight and regulation. To introduce a product for commercial sale, we must successfully complete research, development, and testing of the product and obtain necessary governmental approvals for installation of our SOCRATES wake vortex sensors in airports or installation of UNICORN technology in small aircraft. For our SOCRATES wake vortex sensors, the FAA must commission WVAS for use in the National Airspace System. As UNICORN technology is an airborne system, it must be FAA certified for use on aircraft. Any factor that delays or adversely affects this process, including delays in development or difficulty in obtaining federal government approval of the product, could adversely affect our business, financial condition, or results of operations.

Additionally, as a result of receiving funding from the federal government, our business and operations are subject to numerous government laws and regulations. In the near term, and for so long as we receive funding from the federal government, we will be subject to many procurement and accounting rules and regulations of the federal government. We are also subject to periodic audits by the Defense Contract Audit Agency. To date, we have incurred four audits and reports have been issued to our government customer which have stated that we are performing in full accordance with Federal Acquisitions Regulations.

Employees

As of January 28, 2004, we had five full-time and three part-time employees. Our employees are not members of a union, and we are not aware of any efforts on their part to form or join a union. We believe that our relationship with our employees is good.

Legal Proceedings

We are not a party to any pending legal proceeding. However, we recently learned that the staff of the SEC is conducting an informal investigation that appears to be looking into certain analyst reports about us, and our press releases. The SEC staff has not asserted that we have acted improperly or illegally. We have voluntarily agreed to cooperate fully with the staff's informal investigation. We believe that we have acted properly and legally with respect to these analyst reports and our press releases. However, we can neither predict the length, scope, or results of the informal investigation nor its impact, if any, on us or our operations.

Properties

Our primary office, located in Mystic, Connecticut, is leased on a yearly basis at an annual rate of $18,600 until March 31, 2004. We also utilize satellite office space that we lease or use on a month to month basis pursuant to the following arrangements with the following parties: (i) Baltimore, Maryland leased from our executive vice president and director, Frank L. Rees, at $500 per month; (ii) Chicago, Illinois is space provided without charge by our president and director, William B. Cotton; and (iii) New London, Connecticut leased from Kildare Corporation at $100 per month. We believe that our facilities are adequate to satisfy our projected requirements and that additional space will be available if needed.

MANAGEMENT

Executive Officers and Directors

The following table presents information about each of our executive officers and directors as of the date of this prospectus:

Name	Age	Position

Samuel A. Kovnat	71	Chairman, Chief Executive Officer
William B. Cotton	63	Director, President
Frank L. Rees	72	Director, Executive Vice President
Jackson Kemper, Jr.	68	Director
Stephen P. Tocco	56	Director
Joseph J. Luca	56	Director
Larry L. Pressler	61	Director
Kenneth S. Wood	51	Director
David D. Cryer	55	Chief Financial Officer, Secretary, Treasurer

Kenneth S. Wood was appointed to our board of directors on July 14, 2003; Joseph J. Luca was appointed to our board of directors on October 25, 2002; former Senator Larry L. Pressler was appointed to our board of directors on December 4, 2002; and David D. Cryer was appointed to his position as Chief Financial Officer on October 3, 2002 and as Secretary and Treasurer on June 10, 2003. Other current directors and executive officers were first appointed to their positions effective September 1, 2002.

Samuel A. Kovnat serves as our Chairman and Chief Executive Officer. Mr. Kovnat co-founded FSTO, our former subsidiary, in 1997 and worked there until he joined us in September, 2002. From 1995 to 2001, Mr. Kovnat was also a consultant and program development manager for the parametric Airborne Dipping Sonar at the Sonetech Corporation and the Kildare Corporation. During that same period, Mr. Kovnat was a venture partner of Allied Venture Associates whose primary focus was in the Internet security and biotechnology arenas. From 1982 through 1988, Mr. Kovnat was a principal in Tower Capital Corp., an asset management firm based in New York, New York. In 1987, Tower Capital Corp. and its principals, including Mr. Kovnat, were sued by a client and the United States Department of Labor for certain alleged civil violations of the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Mr. Kovnat settled this suit. As a part of the settlement, Mr. Kovnat was enjoined from acting as a manager of ERISA funds in the future. Mr. Kovnat graduated from the University of Miami with a B.S. degree in both Mathematics and Physics. Mr. Kovnat serves on our compliance, disclosure and ethics oversight committee and executive committee.

Captain William B. Cotton serves as our President and as a Director. He began work with FSTO, our former subsidiary, in November, 2000 and worked there until he joined us in September, 2002. Prior to that, Captain Cotton was a United Airlines pilot from 1967-2000, and from 1986-2000 he was Manager of Air Traffic and Flight Systems at United Airlines. During his tenure as Manager of Air Traffic and Flight Systems, he led United Airlines' efforts to improve air traffic control industry-wide, as well as initiatives to upgrade the company's aircraft for safety and efficiency. From 1997-2000, Captain Cotton also served as Chairman of the Board of ATN Systems, Inc., a consortium of airlines developing aeronautical telecommunications network (ATN) products in cooperation with the Federal Aviation Administration. ATN is a worldwide data network intended to support data communication connectivity between mobile platforms, airlines, providers of aeronautical communications services and government providers of air traffic control and flight information services. Captain Cotton is an independent director of Sensis Corporation, a privately held company located in Syracuse, New York, and also consults for NASA and a national science foundation panel on the future of aviation. Captain Cotton received a B.A. degree and an M.A. degree in Aeronautical and Astronautical Engineering from the University of Illinois and the Massachusetts Institute of Technology, respectively. Captain Cotton serves on our compliance, disclosure and ethics oversight committee and executive committee.

Frank L. Rees serves as Executive Vice President and as a Director. Mr. Rees co-founded FSTO, our former subsidiary, in 1997 and worked there until he joined us in September, 2002. In 1993, Advanced Acoustic Concepts, Inc. acquired GR Associates, a small consulting firm owned by Mr. Rees and Samuel Kovnat. Following this acquisition, Mr. Rees remained an employee of Advanced Acoustic Concepts, Inc. for a period of approximately one year. Mr. Rees is the inventor of our SOCRATES and UNICORN technologies. Mr. Rees holds an M.A. in Mathematics from the University of Maryland, an M.A. in Electronic Engineering from Borough Polytechnic in London, England, as well as a British equivalent of a B.S.E.E summa cum laude in Electronic and Electrical Engineering from South East Essex Technical College in Essex, England. Mr. Rees serves on our compliance, disclosure and ethics oversight committee and executive committee.

Jackson Kemper, Jr. is the Chairman and Chief Executive Officer of the Kemper Group, Inc., a government relations organization, located in Washington D.C., where he has worked since 1995. Mr. Kemper graduated from Drexel University with a B.S. degree in Engineering.

Stephen P. Tocco is the President and CEO of ML Strategies, LLC, a business consulting and government relations group headquartered in Boston, Massachusetts, where he has worked since 1997. Since 1999, Mr. Tocco has also served as a Chairman of the Massachusetts Board of Higher Education. From August 1993 to January 1997, Mr. Tocco served as executive director and CEO of the Massachusetts Port Authority, which includes Boston's Logan International Airport. Mr. Tocco earned a B.S. degree in Chemistry from the Massachusetts College of Pharmacy. Mr. Tocco serves on our compliance, disclosure and ethics oversight committee.

Joseph J. Luca is the owner of Joseph J. Luca, CPAs, a regional public accounting firm which he founded in 1974 where he has worked since that time. From 1993 to 1999, Mr. Luca also served as the CFO and Director of Administration and Finance of The Massachusetts Port Authority. Mr. Luca is a Certified Public Accountant. Mr. Luca earned a B.S.B.A. degree from Northeastern University and a Masters of Science in Taxation from Bentley College. Mr. Luca serves as chair of our finance and audit committee and is a member of our compensation committee and compliance, disclosure and ethics oversight committee.

Former United States Senator Larry L. Pressler was a member of Congress for 22 years, 18 of which he served in the U.S. Senate (1979-1997). During that time, he authored the Telecommunications Act of 1996 and was Chairman of the Senate Commerce, Science and Transportation Committee as well as Chairman of the Aviation Subcommittee for that committee. Since 1997, former Senator Pressler has been and is currently Chairman of The Pressler Group, L.L.C., a business consulting and government relations group headquartered in Washington, D.C. Currently, former Senator Pressler serves on the Boards of Infosys Technologies Ltd., and the Philadelphia Stock Exchange Board of Governors. Former Senator Pressler was a Rhodes Scholar at Oxford, England, received a Masters in Public Administration from Harvard's Kennedy School of Government, and is a graduate of Harvard Law School. Former Senator Pressler serves as the chair of our compliance, disclosure and ethics oversight committee.

Kenneth S. Wood was the President of Barringer Technologies, Inc., a trace detection company, from 1996 through 2002. Since 2002, Mr. Wood has been providing business consulting services and pursuing other business interests. Mr. Wood graduated from Colgate University with a B.A. degree in Economics and received his J.D. degree from Seton Hall University. Mr. Wood serves on our finance and audit committee and is chair of our compensation committee.

David D. Cryer serves as our Chief Financial Officer, Secretary and Treasurer. Mr. Cryer worked for FSTO, our former subsidiary, since its founding in 1997 and joined us in September, 2002. Mr. Cryer also serves as Chief Financial Officer of Integrated Medical Services, Inc., a Wyoming corporation, and serves as the Controller to Kildare Corporation, a Delaware corporation. Mr. Cryer graduated from the University of Massachusetts with a B.S. degree in Accounting. He received a Masters Degree in Management Science at Ball State University. Mr. Cryer serves, as an ex officio member, on our compliance, disclosure and ethics oversight committee and executive committee. Upon completion of this offering, we anticipate that Mr. Cryer will devote substantially all of his professional time and attention to his duties as our Chief Financial Officer.

Board of Directors

Pursuant to our bylaws, our board of directors shall consist of at least one and not more than fifteen directors, with the exact number to be fixed from time to time by our

board of directors. Our board of directors currently has eight members. Each director holds office until the next annual meeting of stockholders and until the director's successor is elected and qualified.

Finance and Audit Committee

The finance and audit committee consists of Kenneth S. Wood and Joseph J. Luca, who is chairman. The functions of the finance and audit committee include retaining our independent auditors, reviewing their independence, reviewing and approving the planned scope of our annual audit, reviewing and approving any fee arrangements with our auditors, overseeing their audit work, reviewing and pre-approving any non-audit services that may be performed by them, reviewing the adequacy of accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions.

Compensation Committee

The members of the compensation committee are Joseph J. Luca and Kenneth S. Wood, who is chairman. The compensation committee makes recommendations to the board of directors on compensation for our executive officers and other key employees, and reviews management's recommendations for stock option grants and other compensation plans or practices.

Compliance, Disclosure and Ethics Oversight Committee

The compliance, disclosure and ethics oversight committee consists of Joseph J. Luca, Stephen P. Tocco and former Senator Larry L. Pressler, who is its chairman, plus our executive officers, Samuel A. Kovnat, Captain William B. Cotton, Frank L. Rees, and David D. Cryer (ex officio member). The general functions of the committee include setting, implementing and monitoring policies to ensure that we comply to the fullest extent possible with all applicable local, state and federal laws, rules and regulations and ethical standards; adopting a code of ethics; reviewing, controlling and ensuring that we release news, information and materials which are truthful, accurate and complete in all material respects and which comply with Regulation FD; and establishing, overseeing and implementing disclosure, control and review procedures used to prepare SEC filings.

Executive Committee

The members of our executive committee are Samuel A. Kovnat, Captain William B. Cotton, Frank L. Rees, and David D. Cryer (ex officio member). The chief executive officer, Mr. Kovnat, is its chairman. The purpose of the executive committee is to exercise the powers of our board of directors in the management of our operations when our board is unable to act except the executive committee shall not have the power to fill vacancies in our board of directors or the power to amend our bylaws or take any other action without prior approval of our board of directors if the board has required such approval with respect to a particular action or which directly contravenes a prior resolution of our board of directors.

Limitation of Liability and Indemnification of Directors and Officers

Our amended articles of incorporation and bylaws provide that our directors and officers will not be personally liable to us or our stockholders for monetary damages due to the breach of a fiduciary duty as a director or officer. Nevada Revised Statute 78.7502 provides that we may indemnify any officer, director, employee or agent who is party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, provided he was acting in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he had no reasonable cause to believe that his conduct was unlawful. The indemnification includes all actual and reasonable expenses, including attorney's fees, judgments, fines and settlement amounts. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, does not of itself prevent indemnification so long as the officer or director acted in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests, or, with respect to any criminal action or proceeding, he had no reasonable cause to believe that his conduct was unlawful.

In addition, Nevada Revised Statute 78.7502 provides that we may indemnify any officer, director, employee or agent who is party to any threatened, pending or completed action or suit brought by us or by our stockholders on our behalf, provided he was acting in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests. The indemnification includes all actual and reasonable expenses, including attorney's fees, judgments, fines and settlement amounts. However, indemnification is prohibited as to any suit brought in our right in which the director or officer is adjudged by a court to be liable to us.

To the extent that the officer or director is successful on the merits in any proceeding pursuant to which such person is to be indemnified, we must indemnify him against all actual and reasonable expenses incurred, including attorney's fees.

The foregoing indemnity provisions will limit your ability as stockholders to hold officers and directors liable and collect monetary damages for breaches of fiduciary duty, and require us to indemnify officers and directors to the fullest extent permitted by law.

To the extent that indemnification may be available to our directors and officers for liabilities arising under the Securities Act of 1933 as amended, we have been advised that, in the opinion of the SEC, such indemnification is against public policy and therefore unenforceable.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of our chief executive officer and our other most highly compensated executive officers whose salary plus bonus in our last fiscal year exceeded $100,000, for all services rendered in all capacities to us, during our fiscal years ended May 31, 2001, 2002 and 2003.

Summary Compensation Table

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award (#) (1)	Shares Underlying Options/ SARs (#) (2)	LTIP Payouts ($)	All Other Comp ($)
Samuel A. Kovnat, CEO	2001 2002 2003	127,860 124,800 150,960	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --
William B. Cotton, President	2001 2002 2003	86,870 117,238 138,043	-- - -- - --	-- - -- - --	-- 166,667 - --	-- 145,834 - --	-- - -- - --	-- - -- - --
Frank L. Rees, Executive VP	2001 2002 2003	125,440 114,100 120,820	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --	-- - -- - --

(1) The dollar value of Captain Cotton's restricted stock is not set forth as our common stock was not publicly traded at the time of the grant, December 30, 2001. The shares vest at a rate of 20% upon the date of grant and 20% annually over the next four years.

(2) Represents options to purchase our common stock awarded pursuant to Captain Cotton's employment agreement and his service on the board of directors.

Compensation of Directors

Only directors who are not employees of ours, currently Messrs. Kemper, Tocco, Luca, Pressler, and Wood, are compensated for their services as directors. Each non-employee director is paid $1,000 for each meeting of the board of directors that he attends in person. Non-employee directors sit on the Finance and Audit Committee, Compensation Committee or Compliance, Disclosure and Ethics Oversight Committee. Non-employee directors are compensated at the rate of $300 to $400 per hour for their work on the board of directors, including telephonic meetings, and on such committees. Directors are also reimbursed for their expenses incurred in attending board of directors and committee meetings.

Each independent member of the board of directors is also eligible for a grant of stock options under the following terms. Upon initial election to the board of directors, we granted each an option to purchase 41,667 shares of our common stock at $6.00 per share. Of these options, 25% vest immediately, with the unvested options vesting at a rate of 25% every year over a three-year period. All options have a three-year term beginning upon the later of September 1, 2002 or the date of vesting.

Employment Contracts

Effective as of November 4, 2003, we entered into a two-year employment agreement with Samuel A. Kovnat, our Chief Executive Officer. The agreement provides for the payment to Mr. Kovnat of an annual salary of $166,000.

Effective as of November 4, 2003, we entered into a two-year employment agreement with William B. Cotton, our President. The agreement provides for the payment to Mr. Cotton of an annual salary of $150,000.

On November 3, 2000, we entered into a three-year employment agreement with Frank L. Rees, our Executive Vice President. The agreement provided for the payment to Mr. Rees of an annual salary of $146,000 subject to continuous government funding. We anticipate that we will extend this contract for an additional two years under substantially similar terms.

Effective as of November 4, 2003, we entered into a two-year employment agreement with David D. Cryer, our Chief Financial Officer. The agreement provides for the payment to Mr. Cryer of an annual salary of $124,800.

These agreements also provide that the parties may agree by written amendment to continue the agreement on a year-to-year basis. Pursuant to these agreements, in the event of termination without cause, we will continue to pay the officer an amount equal to his pay for twelve monthly installments or the amount equal to his pay for the number of monthly installments remaining under his employment agreement, whichever is greater.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We recently approved the continuation of a consulting contract in the amount of $6,000 per month plus expenses between us and The Kemper Group, Inc. which is owned by one of our directors, Jackson Kemper, Jr.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of January 28, 2004, certain information with respect to the beneficial ownership of our common stock by (i) each stockholder known by us to be the beneficial owner of more than five percent (5%) of our common stock, (ii) each director, (iii) each executive officer, and (iv) all of our directors and executive officers as a group. Except as set forth below, we are not aware of any beneficial owner of more than five percent (5%) of our common stock. Except as otherwise indicated, we believe that the beneficial owners of our common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Stock (3)
Directors and Executive Officers		
William B. Cotton, Director, President (4)	395,834	7.27%
Samuel A. Kovnat, Chairman, CEO (5)	422,980	7.98%
Frank L. Rees, Director, Executive Vice President	422,980	7.98%
David D. Cryer, Chief Financial Officer, Secretary, Treasurer	41,667	*
Jackson Kemper, Jr., Director (6)	83,334	1.56%
Stephen P. Tocco, Director (7)	41,667	*
Joseph J. Luca, Director (8)	20,834	*
Larry L. Pressler, Director (9)	41,667	*
Kenneth S. Wood, Director (10)	10,417	*
All directors and officers as a group (nine persons) (11)	1,481,380	27.72%
Certain Beneficial Owners		
Spencer Trask Intellectual Capital Company, LLC (12)	417,326	7.80%

*Represents beneficial ownership of less than one percent of the issued and outstanding common stock on January 28, 2004.

(1) Unless otherwise indicated, all addresses are c/o Flight Safety Technologies, Inc., 28 Cottrell Street, Mystic, Connecticut, 06355.

(2) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. The number of shares beneficially owned by each person or group as of January 28, 2004 includes shares of common stock that such person or group had the right to acquire on or within 60 days after January 28, 2004, including, but not limited to, upon the exercise of options.

(3) For each person and group included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 5,302,068 shares of common stock outstanding on January 28, 2004 and the number of shares of common stock that such person or group had the right to acquire on or within 60 days of January 28, 2004, including, but not limited to, upon the exercise of options.

(4) Includes 166,667 shares of our common stock subject to certain restrictions, and 145,834 shares of our common stock issuable to Mr. Cotton upon the exercise of options at a rate of $6.00 per option.

(5) Does not include an aggregate of 50,000 shares of our common stock owned by Mr. Kovnat's daughter and his grandsons. Mr. Kovnat disclaims beneficial ownership of the shares owned by these individuals.

(6) Represents 41,667 shares of our common stock, plus an additional 41,667 shares of our common stock issuable to Mr. Kemper upon the exercise of options at a rate of $6.00 per option.

(7) Represents shares of our common stock issuable to Mr. Tocco upon the exercise of options at a rate of $6.00 per option.

(8) Represents shares of our common stock issuable to Mr. Luca upon the exercise of options at a rate of $6.00 per option. Options for an additional 20,834 shares of our common stock will vest over the next 2 years at a rate of 10,417 shares per year.

(9) Represents shares of our common stock issuable to former Senator Pressler upon the exercise of options at a rate of $6.00 per option.

(10) Represents shares of our common stock issuable to Mr. Wood upon the exercise of options at a rate of $6.00 per option. Options for an additional 31,250 shares of our common stock will vest over the next 3 years at a rate of 10,417 shares per year.

(11) Includes 302,084 shares of our common stock issuable upon the exercise of options. See notes 4 through 9.

(12) Includes 363,667 shares of our common stock held by Spencer Trask Intellectual Capital Company, LLC; 5,682 shares of our common stock held by Spencer Trask Ventures, Inc.; 35,182 shares of our common stock issuable to Spencer Trask & Co. upon exercise of issued and outstanding warrants at a rate of $6.00 per warrant; and 12,795 shares of our common stock issuable to William Dioguirdi, President of Spencer Trask, LLC upon exercise of warrants at a rate of $6.00 per warrant. The address for Spencer Trask Intellectual Capital Company, LLC is 535 Madison Avenue, 18th Floor, New York, NY 10022.

DESCRIPTION OF SECURITIES

Upon completion of this offering, our authorized capital stock will consist of 50,000,000 shares of common stock, $0.001 par value, and 5,000,000 shares of preferred stock, $0.001 par value. The following summary is qualified in its entirety by reference to our articles of incorporation and bylaws, copies of which are filed as exhibits to our previous filings with the SEC and incorporated herein by reference.

Units

In the offering described in this prospectus, we are offering for sale units of our securities. Each unit consists of two shares of common stock and one public warrant to purchase one additional share of common stock. The public warrants will trade only as a part of a unit for 30 days following this offering unless the representative of the underwriters determines that separate trading of the warrants should occur earlier.

Common Stock

We have authorized 50,000,000 shares of $0.001 par value common stock, and 5,302,068 shares are currently issued and outstanding. After giving effect to the issuance of the shares of common stock included in the units offered by this prospectus, assuming the underwriter does not exercise its overallotment option, there will be 8,002,068 shares outstanding upon closing of this offering. Holders of shares of our common stock are entitled to receive such dividends as may be declared by our board of directors from funds legally available therefore and, upon liquidation, are entitled to share pro rata in any distribution to stockholders. The holders of shares of our common stock have one vote per share and have no preemptive rights. Our common stock is not redeemable, does not have conversion rights and is not liable to assessment or further calls by us. Our articles of incorporation, as amended, do not grant the stockholders cumulative voting rights in the election of directors. Certain provisions of the articles and bylaws, certain sections of the Nevada General Corporation Law, and the ability of our board of directors to issue shares of preferred stock and to establish the voting rights, preferences and other terms thereof, may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by our board of directors, including takeovers which stockholders may deem to be in their best interests.

Preferred Stock

Our articles of incorporation provide for the issuance of up to 5,000,000 shares of preferred stock, $0.001 par value. Our board of directors will have the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to designate the rights, preferences, privileges and restrictions of each such series. The issuance of preferred stock could have the effect of restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock or delaying or preventing a change in control without further action by the stockholders. At present, we have no plans to issue any shares of preferred stock after completion of this offering.

Stock Options

Currently, there are outstanding options to purchase an aggregate of 632,950 shares of our common stock at an exercise price of $6.00 per share; 580,866 of these options are vested, 20,834 will vest over the next 24 months, and 31,250 will vest over the next 36 months.

Existing Warrants

Currently, there are outstanding warrants to purchase an aggregate of 101,058 shares of our common stock, exercisable at $6.00 per share.

Public Warrants Issued in This Offering

General

Each public warrant entitles the holder to purchase one share of our common stock at an exercise price per share of $3.30 (110% of the public offering price allocated to one share). The exercise price is subject to adjustment upon the occurrence of certain events as provided in the public warrant certificate and summarized below. Once separated

from the units, our public warrants may be exercised at any time after this offering until the fifth anniversary of the effective date of this offering, which is the expiration date. Those of our public warrants which have not previously been exercised will expire on the expiration date. A public warrant holder will not be deemed to be a holder of the underlying common stock for any purpose until the public warrant has been properly exercised. Reference is made to the warrant agreement, which has been filed as an exhibit to the registration statement in which this prospectus is included for a complete description of the terms and conditions of the public warrants.

Separate Transferability

Our common stock and public warrants sold in this offering will initially be represented by certificates representing units, and we will not replace these certificates with certificates representing the component securities of the units for a period of 30 days following this offering unless the representative of the underwriters determines that separate trading of the warrants should occur earlier. During such 30-day period, or such shorter period as the representative of the underwriters determines, the public warrants will not trade separately. We will announce in advance the commencement of trading in the public warrants by a press release. We will continue to list the units on the American Stock Exchange for up to 30 days following this offering but may cease to maintain the listing of the units at any time thereafter. Upon separation, unit holders who wish to hold physical certificates will, upon surrender of their unit certificates, receive certificates for the common stock and public warrants represented by such unit certificates.

Redemption

At any time after the first anniversary of the date of this offering, we may redeem some or all of the public warrants at a price of $0.25 per warrant (subject to adjustment), upon 30 days' notice so long as the last reported sales price per share of our common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds $10.00 (subject to adjustment) for twenty consecutive trading days ending on the tenth day prior to the date we give notice of redemption. We will send the written notice of redemption by first class mail to public warrant holders at their last known addresses appearing on the registration records maintained by the transfer agent for our public warrants. No other form of notice by publication or otherwise will be required. If we call the public warrants for redemption, they will be exercisable until the close of business on the business day next preceding the specified redemption date.

Exercise

A public warrant holder may exercise our public warrants only if an appropriate registration statement is then in effect with the SEC and if the shares of common stock underlying our public warrants are qualified for sale under the securities laws of the state in which the holder resides. We are required to use our best efforts to maintain a current prospectus relating to such shares of our common stock at all times when the market price of our common stock exceeds the exercise price of the public warrants until the expiration date of the public warrants, although there can be no assurance that we will be able to do so.

Our public warrants may be exercised by delivering to our transfer agent the applicable public warrant certificate on or prior to the expiration date or the redemption date, as applicable, with the form on the reverse side of the certificate executed as indicated, accompanied by payment of the full exercise price for the whole number of public warrants being exercised. Public warrants may only be exercised to purchase whole shares. Public warrant holders will receive cash equal to the current market value of any fractional interest, which will be the value of one whole interest multiplied by the fraction thereof, in the place of fractional public warrants that remain after exercise if they would then hold public warrants to purchase less than one whole share. Fractional shares will not be issued upon exercise of our public warrants.

For the life of the public warrants, the holders thereof are given the opportunity to profit from a rise in the market of our common stock, with a resulting dilution in the interest of all other stockholders. So long as the public warrants are outstanding, the terms on which we could obtain additional capital may be adversely affected. The holders of the public warrants might be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the public warrants.

Adjustments of Exercise Price

The exercise price and redemption price are subject to adjustment in specified circumstances, including in the event we declare any stock dividend to stockholders or effect any split or reverse split with respect to our common stock after the effective date of this offering. Therefore, if we effect any stock split or reverse split with respect to our common stock, the exercise price in effect immediately prior to such stock split or reverse split will be proportionately reduced or increased, respectively. Any adjustment of the exercise price will also result in an adjustment of the number of shares purchasable upon exercise of a public warrant or, if we elect, an adjustment of the number of public warrants outstanding. The public warrants do not contain provisions protecting against dilution resulting from the sale of additional shares of our common stock for less than the exercise price of the public warrants or the current market price of our common stock.

No Voting and Dividend Rights

Until exercised, the warrants will have no voting, dividend or other shareholder rights.

Registration Rights

In July 2003, our board of directors approved a plan to use commercially reasonable efforts to promptly register an aggregate of 213,175 shares of our common stock underlying certain of our outstanding warrants and stock options. Participation in this plan was conditioned upon an agreement by the security holder to shorten the period of exercise to one year from the effective date of registration of the underlying shares with the SEC and to eliminate the so-called "cashless exercise" provision. Holders of warrants and stock options to purchase an aggregate of 125,677 shares of our common stock have elected to participate in this plan. We specifically reserved the right to withdraw or terminate this plan at any time, for any reason in our sole discretion. Management is currently considering what, if any, action to take in implementing this plan.

FEDERAL INCOME TAX CONSIDERATIONS

The following discussion sets forth the material federal income tax consequences, under current law, relating to the purchase and sale of the units and the underlying common stock and warrants. The discussion is a summary and does not deal with all aspects of federal taxation that may be applicable to an investor, it does not consider specific facts and circumstances that may be relevant to a particular investor's tax position. Some holders, such as dealers in securities, insurance companies, tax exempt organizations, foreign persons and those holding common stock or warrants as part of a straddle or hedge transaction, may be subject to special rules that are not addressed in this discussion. This discussion is based only on current provisions of the Internal Revenue Code of 1986, as amended, and on administrative and judicial interpretations as of the date of this prospectus, all of which are subject to change. You should consult your own tax advisor as to the specific tax consequences to you of this offering, including the applicability of federal, slate, local and foreign tax laws.

Tax Basis

The tax basis for the common stock and public warrant comprising each unit will be determined by allocating the cost of the unit (exclusive of any tax basis allocable to a fractional share of common stock or any public warrant to purchase less than one share of common stock upon the exchange of units for common stock and public warrants) among the two shares of common stock and one public warrant in proportion to the relative fair market value of these securities on the date the unit is issued.

Exercise or Sale of Warrants

No gain or loss will be recognized by a holder of a warrant on the purchase of shares of common stock for cash on an exercise of a warrant, except that gain will be recognized to the extent cash is received in the place of fractional shares or warrants. The tax basis of common stock received upon exercise of a warrant will equal the sum of the tax basis of the exercised warrant and the exercise price. The holding period of the common stock acquired will begin on the date the warrant is exercised. It does not include the period during which the warrant was held.

Gain or loss from the sale or other disposition of a warrant will be capital gain or loss to its holder if the common stock to which the warrant relates would have been a capital asset in the holder's hands. This capital gain or loss will be long-term capital gain or loss if the holder has held the warrant for more than one year at the time of the sale, disposition or lapse. If we redeem a warrant, the holder generally will realize capital gain or loss. Individuals generally have a maximum federal income tax of 15% on long-term capital gains. The deduction of capital losses is subject to limitations.

Sale of Common Stock

A holder who sells common stock other than in connection with a tax free reorganization involving us will recognize gain or loss in an amount equal to the difference between the amount realized and the holder's tax basis in the common stock. Generally, the holder's tax basis in the common stock will equal the portion of the unit price that was allocable to the common stock. If the common stock is a capital asset in the holder's hands, gain or loss upon the sale of the common stock will be a long-term or short-term capital gain or loss, depending on whether the common stock has been held for more than one year. Individuals generally have a maximum federal income tax of 15% on long-term capital gains. The deduction of capital losses is subject to limitations.

Expiration of Warrants Without Exercise

If a holder of a warrant allows it to expire or lapse without exercise, the expiration or lapse will be treated as a sale or exchange of the warrant on the expiration date. The holder will have a loss equal to the amount of such holder's tax basis in the lapsed warrant. If the warrant is a capital asset in the hands of the holder, the loss will be a long-term or short-term capital loss, depending on whether the warrant was held for more than one year. The deduction of capital losses is subject to limitations.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of common stock or our other securities in the public market or the prospect of such sales could adversely affect prevailing market prices.

Upon completion of this offering, 8,002,068 shares of common stock will be outstanding, which includes 5,302,068 shares of common stock currently outstanding and the 2,700,000 shares of our common stock comprising a part of the units to be sold pursuant to this prospectus. The shares comprising the units will be freely tradable without restriction under the Securities Act of 1933, unless purchased by an "affiliate" of ours, as that term is defined in Rule 144 under the Securities Act. Of the remaining 5,302,068 outstanding shares, as of January 28, 2004, 3,003,581 were freely tradable and we estimate 2,298,487 were eligible to be traded under Rule 144 of the Securities Act. Of these 2,298,487 shares, (i) 1,179,295 were held by "affiliates" and subject to the monthly volume limitation under Rule 144; and (ii) 1,119,192 were held by non-affiliated stockholders, subject to the monthly volume limitation, which we estimate will expire for 1,021,150 of these shares on September 1, 2004 and on 98,042 of these shares on June 27, 2005. In addition, the 1,179,295 shares held by "affiliates" will be subject to contractual lock-up agreements with The Shemano Group, Inc. pursuant to which such shares may not be sold for a period of 90 days from the effective date of this offering.

An additional 1,687,500 shares of our common stock may become available for resale upon exercise of the public warrants, the underwriters' over-allotment option and the representative's warrants.

An additional 632,950 shares may become eligible for future sale upon exercise of stock options currently outstanding; and 101,058 shares may become eligible for future sale upon exercise of warrants currently outstanding.

As a result of the foregoing, 4,122,773 of the shares outstanding immediately prior to the offering (or obtainable on exercise of securities outstanding immediately prior to the offering) can be resold in the public market immediately following the offering without restriction or subject to limitations other than the passage of additional time. An additional 1,179,295 shares will be eligible for resale upon expiration of, or release from, the lock-up agreements applicable to them. Many of the holders of these securities have held them for a considerable period of time and may wish to dispose of some or all of their investment. The sale of a substantial number of such shares in the public market, or the possibility of such sales, could have a depressive effect on our stock price.

Transfer Agent and Registrar

The transfer agent for the units and public warrants offered hereby, our common stock and our currently outstanding warrants is Pacific Stock Transfer Company.

American Stock Exchange

Our common stock, units and public warrants have been approved for listing on the American Stock Exchange under the trading symbols "FLT," "FLT.u" and "FLT.ws," respectively.

UNDERWRITING

The Shemano Group, Inc. is acting as the representative of the underwriters. We and the underwriters named below have entered into an underwriting agreement with respect to the units being offered. In connection with this offering and subject to certain conditions, each of the underwriters named below has severally agreed to purchase, and we have agreed to sell, the number of units set forth opposite the name of each underwriter.

Underwriters	Number of Units
The Shemano Group, Inc.	1,050,000
Pali Capital, Inc.	300,000

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriters must buy all of the units if they buy any of them.

The representative has advised us that the underwriters propose to offer the units to the public at the public offering price indicated on the cover page of this prospectus, which includes the underwriting discount indicated there, and that they will initially allow concessions not in excess of $0.27 per unit, of which not in excess of $0.15 per unit may be reallowed to other dealers who are members of the NASD. After the public offering, concessions to dealer terms may be changed by the underwriters.

The underwriters have advised us that they do not intend to confirm sales of the units to any account over which they exercise discretionary authority in an aggregate amount in excess of five (5%) percent of the total securities offered hereby.

We have granted to the underwriters an option which expires 45 days after the date of this offering, exercisable as provided in the underwriting agreement, to purchase up to an additional 202,500 units at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions, which option may be exercised only for the purpose of covering over-allotments, if any. If the underwriters exercise the over-allotment in full, the total price to the public would be $9,315,000, the

total underwriting discounts and commissions would be $698,625, and the total proceeds (before payment of the expenses of this offering) to our company would be $8,616,375.

The underwriting agreement provides that we will reimburse the representative for its expenses on a non-accountable basis in the amount equal to 3% of the gross proceeds from the sale of the units offered by this prospectus, of which $30,000 has been paid to date, and the balance of which shall be paid on the closing of this offering. In the event the offering for any reason is not closed or is withdrawn, the representative shall retain so much of the amounts received from us equal to its actual accountable expenses and reimburse us for the remainder, if any. We estimate the non-accountable underwriting expenses of this offering to be $243,000. The representative has agreed to pay Dunwoody Brokerage Services, Inc., an entity not affiliated with us or the representative, a finder's fee of up to $50,000 in cash upon completion of this offering for introducing the representative to us.

The underwriting agreement provides for reciprocal indemnification between us and the underwriters against certain liabilities in connection with the registration statement, including liabilities under the Securities Act of 1933, as amended.

At the closing of this offering, we will sell to the representative or its designees at an aggregate purchase price of $100, underwriters' warrants to purchase up to 10% of the units sold (not including the possible exercise of the over-allotment) at an exercise price of $7.20 per unit (120% of the public offering price per unit). The securities to be delivered upon exercise of the underwriters' warrants are the same as contained in the units, except that the warrant exercise price of the underlying warrant shall be $5.40 per warrant (180% of the public offering price allocated to one share of common stock). The underwriters' warrants are exercisable for a period of four years commencing one year from the effective date of this offering. The underwriters' warrants contain provisions that protect their holders against dilution by adjustment of the exercise price and number of units issuable upon exercise on the occurrence of specific events, including stock dividends or other changes in the number of our outstanding shares, on the same terms as the public warrants. No holder of the underwriters' warrants will possess any rights as a stockholder unless the warrant is exercised. The underwriters' warrants may not be sold, transferred, assigned or hypothecated for a period of one year from the effective date of this offering, except to officers or partners (but not directors) of the representative and members of the selling group and/or their officers or partners. During the exercise period, the holders of the underwriters' warrants will have the opportunity to profit from a rise in the market price of the common stock, which will dilute the interests of our stockholders. We expect that the underwriters' warrants will be exercised when we would, in all likelihood, be able to obtain any capital needed on terms more favorable than those provided by the underwriters' warrants. Any profit realized by the representative on the sale of the underwriters' warrants or the underlying shares of common stock or public warrants may be deemed additional underwriting compensation.

Beginning January 29, 2005, we will pay to the representative a warrant solicitation fee of five percent (5%) of the aggregate exercise price of the public warrants exercised pursuant to a warrant solicitation, if at the time of exercise of any public warrant (i) the market price of our common stock is equal to or greater than the then purchase price of the public warrant, (ii) the exercise of the public warrant is solicited by the representative at such time while the representative is a member of the National Association of Securities Dealers, Inc., (iii) the public warrant is not held in a discretionary account, (iv) disclosure of the compensation arrangement is made in documents provided to the holders of the public warrants, and (v) the solicitation of the exercise of the public warrants is not in violation of Regulation M (as such regulation or any successor regulation or rule may be in effect as of such time of exercise) promulgated under the Securities Exchange Act of 1934. In addition to the warrant solicitation fee, we will pay all costs and expenses relating to any solicitation. The representative is the sole warrant solicitation agent in connection with the solicitation of the public warrants.

We have agreed that, upon the request of the representative, we will, at our expense, on one occasion during the term of the underwriters' warrants, register the underwriters' warrants under the Securities Act. We have also agreed to include the underwriters' warrants and the shares of common stock and public warrants underlying the underwriters' warrants in any appropriate registration statement which is filed by us under the Securities Act of 1933, as amended, during the seven years following the effective date of the registration statement.

Until the distribution of the units offered by this prospectus is completed, rules of the SEC may limit the ability of the underwriters to bid for and to purchase units or their component securities. As an exception to these rules, the underwriters may engage in transactions that stabilize the price of the units. The Shemano Group, Inc., on behalf of the underwriters and selling group members, if any, and their affiliates, may engage in over-allotment sales, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Syndicate covering transactions involve purchases of the common stock and public warrants in the open market after the distribution has been completed in order to cover syndicate short positions. The underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option to purchase additional units as described above.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the units originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. Covered short sales are sales made in an amount not greater than the representative's over-allotment option to purchase additional shares in this offering. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering.

In general, the purchase of a security to stabilize or to reduce a short position could cause the price of the security to be higher than it might be otherwise. These transactions may be effected on the American Stock Exchange or otherwise. Neither we nor the underwriters can predict the direction or magnitude of any effect that the transactions described above may have on the price of the units. In addition, neither we nor the underwriters can represent that the underwriters will engage in these types of transactions or that these types of transactions, once commenced, will not be discontinued without notice.

The underwriting agreement provides for indemnification between us and the underwriters against specified liabilities, including liabilities under the Securities Act, and for contribution by us and the underwriters to payments that may be required to be made with respect to those liabilities. We have been advised that, in the opinion of the SEC, indemnification for liabilities under the Securities Act is against public policy as expressed in the Securities Act and is therefore unenforceable.

Our officers and directors have agreed that for a period of 90 days from the date this registration statement becomes effective that they will not sell, contract to sell, grant any option for the sale or otherwise dispose of any of our equity securities, or any securities convertible into or exercisable or exchangeable for our equity securities, other than through intra-family transfers or transfers to trusts for estate planning purposes, without the consent of The Shemano Group, Inc., as the representative of the underwriters, which consent will not be unreasonably withheld. The Shemano Group, Inc. may consent to an early release from the 90-day lock-up period if in its opinion the market for the common stock would not be adversely impacted by such sales and in cases of an officer, director or other stockholder's financial emergency. We are unaware of any officer or director who intends to ask for consent to dispose of any of our equity securities during the lock-up period.

The initial public offering price of the units offered by this prospectus and the exercise price of the public warrants were determined by negotiation between us and the underwriters. Among the factors considered in determining the initial public offering price of the units and the exercise price of the public warrants were:

- the market price of the common stock;
- our history and our prospects;
- the industry in which we operate;
- the status and development prospects for our proposed products and services;
- our past and present operating results;
- the previous experience of our executive officers; and
- the general condition of the securities markets at the time of this offering.

The offering price stated on the cover page of this prospectus should not be considered an indication of the actual value of the units. That price is subject to change as a result of market conditions and other factors, and we cannot assure you that the units, or the common stock and public warrants contained in the units, can be resold at or above the initial public offering price.

LEGAL MATTERS

Certain legal matters, including the legality of the issuance of the shares of common stock offered herein, are being passed upon for us by our counsel, Tobin, Carberry, O'Malley, Riley & Selinger, P.C., New London, Connecticut. Certain legal matters with respect to our patents and proprietary rights, as described in this prospectus, are being passed upon for us by our patent counsel, the Law Offices of David A. Tamburro, Deerfield Beach, Florida. Mr. Tamburro owns approximately 23,334 shares of our common stock. Certain matters related to the offer and sale of the units will be passed on for the underwriters by Blank Rome LLP, New York, New York.

EXPERTS

The financial statements of Flight Safety Technologies, Inc. and its subsidiary, as of May 31, 2003, have been included herein and in the registration statement in reliance upon the report of Kostin, Ruffkess & Company, LLC, independent certified public accountants, appearing elsewhere herein, and upon the authority of that firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, registration statements and other documents with the SEC. The registration statement of which this prospectus is a part contains additional relevant information about us and our common stock, and you should refer to the registration statement and its exhibits to read that information. References in this prospectus to any of our contracts or other documents are not necessarily complete, and you should refer to the exhibits filed with the registration statement for copies of the actual contract or document.

You may read and copy the registration statement, the related exhibits and our other filings with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You also may request copies of those documents at prescribed rates by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The site's address is http://www.sec.gov.

INDEX TO FINANCIAL STATEMENTS

Financial Statements

To The Board of Directors
Flight Safety Technologies, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheet of Flight Safety Technologies, Inc. as of May 31, 2003, and the related statements of operations, changes in stockholder's equity (deficit), and cash flows for the years ended May 31, 2003 and 2002. These financial statements are the responsibility of our management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Flight Safety Technologies, Inc. as of May 31, 2003, and the results of its operations and its cash flows for the years ended May 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
July 9, 2003, except for note 11
as to which the date is
January 8, 2004

FLIGHT SAFETY TECHNOLOGIES, INC.
Consolidated Balance Sheets
May 31, 2003

Assets		**2003**
Current assets:		
Cash	$	1,039,693
Contract receivables		155,833
Other receivables		56,859
Other current assets		24,728
Total current assets		1,277,113
Property and equipment, net of accumulated depreciation of $138,924		111,879
Intangible assets, net of accumulated amortization of $23,348		130,834
	$	1,519,826
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$	245,678
Accrued expenses		126,807
Total current liabilities		372,485
Minority interest		1,176
Stockholders' equity		
Common stock, $0.001 par value, 50,000,000 shares authorized, 4,919,035 shares issued and outstanding		4,919
Additional paid-in-capital		3,697,461
Unearned stock compensation		(96,192)
Accumulated deficit		(2,460,023)
		1,146,165
	$	1,519,826

The accompanying notes are an integral part of these consolidated financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.
Consolidated Statements of Operations
For The Years Ended May 31, 2003 and 2002

	2003	2002
Contract revenues	$ 1,093,097	$ 490,031
Costs and expenses:		
Costs of revenues	799,259	460,244
Research and development	40,444	45,511
Selling, general and administrative	1,142,112	762,897
Depreciation and amortization	59,083	44,507
	2,040,898	1,313,159
Loss from operations	(947,801)	(823,128)
Other income (expense):		
Interest income	7,868	20,892
Interest expense	(2,232)	(6,864)
	5,636	14,028
Loss before provision for income taxes	(942,165)	(809,100)
Provision for income taxes	1,809	---
Net loss	$ (943,974)	$ (809,100)
Net loss per share - basic	$ (.24)	$ (.92)
Weighted average number of shares - basic	3,948,067	881,750

The accompanying notes are an integral part of these consolidated financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.
Consolidated Statements of Changes in Stockholders Equity (Deficit)
For The Years Ended May 31, 2003 and 2002

	Common Stock		Convertible Redeemable Preferred Stock		Additional Paid-In Capital	Unearned Stock Compensation	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at May 31, 2001	865,000	$ 8,650	606,343	$ 6,063	$ 1,929,930	$ - ---	$ (632,369)	$ 1,312,274
Issuance of preferred stock	67,000	670			23,852	- ---	- ---	24,522
Unearned stock compensation	- ---	- ---	- ---	- ---	98,088	(98,088)	- ---	- ---
Net Loss	---	----	---	---	---	---	(809,100)	(809,100)
Balance at May 31, 2002	932,000	$ 9,320	606,343	$ 6,063	$ 2,051,870	$ (98,088)	$ (1,441,469)	$ 527,696
Issuance of common stock	283,334	283	- ---	- ---	1,529,360	- ---	- ---	1,529,643
Issuance of stock options	- ---	- ---	- ---	- ---	63,250	(36,250)	- ---	27,000
Amortization of unearned stock compensation	- ---	- ---	- ---	- ---	- ---	38,146	- ---	38,146
Net share exchange	3,703,701	(4,684)	(606,343)	(6,063)	52,981	---	(74,580)	(32,346)
Net loss	---	---	---	---	---	---	(943,974)	(943,974)
Balance at May 31, 2003	4,919,035	$ 4,919	---	$ ---	$ 3,697,471	$ (96,192)	$ (2,460,023)	$ 1,146,165

The accompanying notes are an integral part of these financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.
Consolidated Statements of Cash Flows
For The Years Ended May 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Net loss	$ (943,974)	$ (809,100)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	59,083	44,507
Non-cash compensation - common stock	65,146	24,522
Changes in operating assets and liabilities:		
(Increase) Decrease in contract receivables	(155,833)	248,808
(Increase) Decrease in other receivables	(1,557)	146,596
(Increase) Decrease in other current assets	(14,116)	3,413
Increase (Decrease) in accounts payable and accrued expense	133,896	(199,539)
Increase in costs in excess of billings and estimated earnings on uncompleted contracts	---	12,620
Net cash used in operating activities:	(857,355)	(528,173)
Cash flows from investing activities:		
Purchases of property and equipment	(3,355)	(7,967)
Payments for patents and other costs	(34,510)	(38,924)
Net cash used in investing activities:	(37,865)	(46,891)
Cash flows from financing activities:		
Proceeds from repayment of loans to officers	17,400	26,250

Payment on line of credit	(90,000)	(15,000)
Restricted cash	200,000	---
Proceeds from issuance of common stock	1,529,643	---
Net cash provided by financing activities	1,657,043	11,250
Net increase (decrease) in cash and cash equivalents	761,823	(563,814)
Cash and cash equivalents at beginning of year	277,870	841,684
Cash and cash equivalents at end of year	$ 1,039,693	$ 277,870
Supplemental disclosures of cash flow information:		
Cash paid during the year for		
Income taxes paid (refunds)	$ 2,401	$ (6,611)
Interest	2,232	6,684

The accompanying notes are an integral part of these consolidated financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.
Notes To The Consolidated Financial Statements
For The Years Ended May 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies:

Significant accounting policies followed by Flight Safety Technologies, Inc. (the "Company") in determining financial position and the results of operations are as follows:

Consolidation

The consolidated financial statements of the Company include the accounts of the Company and its 96.54% owned subsidiary, Flight Safety Technologies Operating, Inc. All inter-company accounts and transactions have been eliminated in the consolidation. On June 27, 2003, Flight Safety Technologies Operating, Inc. was merged into Flight Safety Technologies, Inc.

Nature of Business

The Company is engaged in the development of two proprietary sensor technologies: SOCRATES and UNICORN.

SOCRATES (Sensor for Optically Characterizing Ring-eddy Atmospheric Turbulence Emanating Sound) is designed to detect clear air turbulence, microbursts, and aircraft generated vortices which result in hazardous conditions to safe air travel.

UNICORN (Universal Collision Obviation and Reduced Near-Miss) is a technology that is being designed based upon an arrangement of radar which gives both visual and audible warning indication of approaching aircraft to pilots.

On May 29, 1997, the Company was awarded a contract in the amount of $1,326,335, sponsored by the Federal Aviation Administration ("FAA"), to commence the development and "Proof-of-Principle" of Socrates. During the period February 22, 1998 through May 31, 1999, the FAA added seven modifications to this contract totaling $1,664,821.

The total contract funding for Phase I of Socrates in fiscal 1997 and 1998 was $2,991,156. An additional $4,927,898 was awarded on August 29, 1999, for Phase II of Socrates and Phase II was further increased to $6,200,000 on February 20, 2003. As of May 31, 2003, nine task orders have been approved totaling $6,041,448 and as of May 31, 2003, the remaining funding for Phase II is $1,127,976.

The Company's Federal contract, with modifications, was issued and is managed by The Volpe Center of the U.S. Department of Transportation. The Company submits, and receives payment on, monthly invoices, which represent progress payments covering the Company's total direct and indirect costs on the project.

The Company's primary office is in Mystic, Connecticut, and it also has offices in Baltimore, Maryland, and Chicago, Illinois. In addition to its full-time employees, the

Company is further supported by a team of consultants and subcontractors, including Lockheed Martin Corporation and Anteon Corp., with whom the Company has a long-term Teaming Agreement.

-

-

-

-

-

-

-

FLIGHT SAFETY TECHNOLOGIES, INC.
Notes To The Consolidated Financial Statements
For The Years Ended May 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies: (Continued)

Property and Equipment

Depreciation of property and equipment is provided using the straight-line method over estimated useful lives of five years. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

Deferred taxes arise from differences in recording depreciation, amortization, and net operating loss carryforwards for financial statement and tax purposes.

Off Balance Sheet Risk

The Company had amounts in excess of $100,000 in a single bank during the year. Amounts over $100,000 are not covered by the Federal Deposit Insurance Corporation.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and short-term investments maturing within ninety days. As a result of the business combination with Reel Staff, Inc. the following non-cash transaction was recorded:

Accounts payable	$	31,170
Common Stock		1,892
Additional paid in capital		41,518
	$	74,580

Intangible Assets

Intangible assets consist of patent costs associated with SOCRATES and UNICORN. Patents are being amortized using the straight-line method over a period of seventeen years.

Research and Development

Company sponsored research and development costs, including proposal costs and un-reimbursed expenditures for developmental activities are charged against income in the year incurred.

Revenue and Cost Recognition

The Company recognizes income from contracts under the percentage of completion method of accounting for financial reporting purposes. Revenues are measured by the ratio of the costs incurred to date divided by the estimated total costs for each contract. Contracting costs include all direct material, labor, and subcontracting costs. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Revenue related to claims is recorded at the lesser of actual costs incurred or the amount expected to be realized.

FLIGHT SAFETY TECHNOLOGIES, INC.
Notes To The Consolidated Financial Statements
For The Years Ended May 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies: (Continued)

Per Share Data

Income or (loss) per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during each period. Potential common shares have not been included due to their anti-dilutive effect.

Fair Values of Financial Instruments

The estimated fair value of financial instruments has been determined based on the available market information and appropriate valuation methodologies. The carrying amounts of cash, accounts receivable, other current assets, accounts payable, and accrued expenses approximate fair value at May 31, 2003, because of the short maturity of these financial instruments.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Concentration of credit risk exists with respect to contract receivables. This risk is mitigated by the fact that these receivables are with the United States Government.

Stock Compensation

The Company applies Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock awards, and complies with the disclosure provisions of SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Under APB 25, compensation expense is recognized over the vesting period to the extent that the fair market value of the underlying stock on the date of the grant exceeds the exercise price of the employee stock award.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." All transactions in which services are received for issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur.

Note 2 - Contract Receivables and Other Receivables:

At May 31, accounts receivable consisted of the following:

		2003
U.S. Government:		
Amounts billed	$	155,833
Amounts not billed		56,859
	$	212,692

Note 3 - Property and Equipment:

Property and equipment are summarized by major classifications as follows:

		2003
Machinery and equipment	$	245,296
Furniture and fixtures		5,507
		250,803
Less: accumulated depreciation		138,924
	$	111,879

Depreciation expense for the years ended May 31, 2003 and 2002 was $49,825 and $37,479, respectively

Note 4 - Intangible Assets:

The gross patent costs as of May 31, 2003, were $154,182. Related accumulated amortization was $23,348. Amortization expense for the years ended May 31, 2003 and 2002 was $9,258 and $7,028, respectively. Amortization expense for the next five years is expected to be $9,070 per year.

Note 5 - Stockholders' Equity:

Common Stock Options and Warrants

	Common Stock Options	Common Stock Warrants
Outstanding at May 31, 2001	194,847	40,423
Options granted to employees	8,334	---
Outstanding at May 31, 2002	203,181	40,423
Exchange pursuant to recapitalization	304,770	60,635
Options granted to non-employees	16,667	---
Exchange pursuant to recapitalization	25,000	---
Options granted to non-employees	41,667	---
Warrants issued with the common stock issuance	---	283,334
Outstanding at May 31, 2003	591,285	384,392

The exercise price of the options and warrants was reduced from $9.90 to $6.00 as a result of the recapitalization. The fair value of options granted to employees at their grant date, in accordance with SFAS No. 123, was $10,000 for May 31, 2002. There were no options or warrants granted to employees in 2003.

Stock based expense attributable to options issued to non-employees based on the fair value of the shares issued was $40,594 for the year ended May 31, 2003. Deferred stock based expense for the unvested portion of the options issued was $22,656.

The fair value of the options granted to employees and non-employees is estimated on the date of grant based on the Black-Scholes minimum value pricing model using the following assumptions:

	2003	2002
Risk free interest rate	5.22%	5.56%
Expected dividend yield	None	None
Expected life of the options	Three Years	Ten Years
Expected volatility	30%	80%

Stock based expense attributable to common stock issued to employees (201,000 shares) based on the fair value of the shares issued was $24,552 and $24,522 for the years ended May 31, 2003 and 2002, respectively. Deferred stock based expense for the unvested portion of the stock issued was $73,536.

Note 6 - Related Party Transactions:

The Company utilizes the lobbying services of a firm that is wholly-owned by one of the Company's stockholders. Total expenses related to these services were $74,818 and $55,696 for the years ended May 31, 2003 and 2002, respectively. As of May 31, 2003 and 2002, fees of $6,865 and $12,707 remained unpaid in this regard, respectively.

The Company also utilized one of its stockholders for the performance of legal services associated with the establishment of certain patents and trademarks. The total cost of these services for the years ended May 31, 2003 and 2002 were $ 34,510 and $41,772, respectively.

Note 7 - Income Taxes:

Income tax expense for 2003 and 2002 is as follows:

	2002	2001
Current tax	$ 1,809	$ ---
Deferred tax (benefit)	(731,239)	(129,473)
Valuation allowance	731,239	129,473
	$ 1,809	$ (---)

Temporary differences relate to the differences in depreciation and amortization methods used for book and tax basis, and certain accrued liabilities. The Company has Federal and State net operating loss carryforwards of approximately $1,700,000, to reduce future taxable income, if any. The Federal operating losses expire in various years through 2023 and the State operating losses expire in various years through 2008. The Company also has State tax credit carryforwards of approximately $8,500, which expire in the year 2008.

FLIGHT SAFETY TECHNOLOGIES, INC.
Notes To The Consolidated Financial Statements
For The Years Ended May 31, 2003 and 2002

Note 8 - Commitments:

The Company has leased office space at $1,550 per month in Mystic, Connecticut, which expires March 31, 2004. The Company also leases office space, on a month to month basis, in Baltimore, Maryland, from an officer of the Company at $500 per month. Rent expense was $24,488 and $24,900 for the years ended May 31, 2003 and 2002, respectively.

In connection with the transfer of the UNICORN technology from Advanced Acoustical Concepts, Inc. to the Company, the Company has agreed to pay a 3% royalty on all net sales of UNICORN products. As of May 31, 2003 and 2002, no amounts have been paid under this commitment.

The Company has commitments with various firms for lobbying services totaling $112,000 for the next fiscal year.

Note 9 - Teaming Agreement:

In connection with SOCRATES, the Company has entered into a Teaming Agreement (as defined in the Federal Acquisition Register "FAR") with Lockheed Martin Corporation ("Lockheed"). The Company will act as the primary contractor and Lockheed will function as the primary subcontractor. The agreement is for a ten year period ending in 2007, unless terminated earlier based on specific conditions identified under the agreement. As of May 31, 2003 and 2002, the Company was liable to Lockheed for $129,224 and $-0-, respectively.

Note 10 - Recapitalization:

On September 1, 2002, the Company's stockholders in exchange for 96.54% of its common and preferred stock receiving a 53% interest in another corporation (Reel Staff, Inc.). This transaction resulted in a business combination treated as a reverse acquisition and recapitalization whereby Flight Safety Technologies, Inc. became the surviving entity. Then Reel Staff, Inc. changed its name to Flight Safety Technologies, Inc. The stock exchange rate was two and one half shares of Reel Staff, Inc. for every share of preferred and common stock tendered by the existing stockholders of Flight Safety Technologies, Inc. The result was the issuance of 2,537,259 shares of common stock. In conjunction with the share exchange, we issued 283,334 shares of common stock in a private placement. The private placement raised gross proceeds of $1,700,000, and after deduction of expenses, net proceeds were $1,529,643. The Proforma operating results of this transaction as of the beginning of the reporting years would be as follows:

	2003	2002
Net sales	$ 1,093,097	$ 495,516
Operating expenses	$ (2,040,898)	$ (1,369,359)
Net loss	$ (943,974)	$ (873,843)
Net loss per share	$ (.18)	$ (.18)

Note 11 - Subsequent Events:

These financial statements have been adjusted to reflect a 1-for-3 reverse stock split which was effective December 31, 2003. As of May 31, 2003, shares outstanding have been adjusted and changed from 14,757,104 to 4,919,035. In conjunction with the stock split, common stock decreased by $19,676 and additional paid in capital increased by the same amount. For the year ended May 31, 2003 and 2002, the weighted average number of shares decreased by 7,896,134 and 1,763,500, respectively. Net loss per share increased by $(.16) and $(.61), respectively. As of May 31, 2003, the common stock options and warrants decreased by 1,182,565 and 768,781, respectively.

FLIGHT SAFETY TECHNOLOGIES, INC.

Balance Sheet

November 30, 2003 and May 31, 2003

	(Unaudited) November 30, 2003	(Audited) May 31, 2003
Assets		
Current assets:		
Cash	$ 1,904,284	$ 1,039,693
Contract receivables	359,289	155,833
Other receivables	74,654	56,859
Other current assets	243,912	24,728
Total current assets	2,582,139	1,277,113
Property and equipment, net of accumulated depreciation of $172,586 and $138,924, respectively	298,976	111,879
Intangible assets, net of accumulated amortization of $27,408 and $23,348, respectively	143,874	130,834
	$ 3,024,989	$ 1,519,826
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	471,872	245,678
Accrued expenses	131,346	126,807
Total current liabilities	603,218	372,485
Minority Interest	----	1,176
Stockholders' equity:		
Preferred Stock, $0.001 par value, 5,000,000 shares authorized, no shares issued or outstanding	- ----	- ----
Common stock, $0.001 par value, 50,000,000 shares authorized, 5,300,413 and 4,919,035 respectively issued and outstanding	5,301	4,919
Additional paid-in-capital	5,398,255	3,697,461
Unearned stock compensation	(79,400)	(96,192)
Accumulated deficit	(2,902,385)	(2,460,023)
	2,421,771	1,146,165
	$ 3,024,989	$ 1,519,826

The accompanying notes are an integral part of these financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.

Statement of Operations
(Unaudited)
For The Three and Six Month Period Ended November 30, 2003 and 2002

	Three Months 2003	Six Months 2003	Three Months 2002	Six Months 2002
Contract Revenues	$ 762,252	$ 1,294,467	$ 39,832	$ 39,832
Cost and expenses:				
Cost of revenues	552,928	911,812	24,090	24,090
Research and development	59,540	76,657	12,155	16,823
Selling, general and administrative	348,157	712,577	303,722	538,728
Depreciation and amortization	18,961	37,922	13,806	27,550
	979,586	1,738,968	353,773	607,191
Loss from operations	(217,334)	(444,501)	(313,941)	(567,359)
Other income (Expense):				
Interest income	1,815	2,793	4,350	5,770
Interest expense	--	--	(205)	(2,232)
	1,815	2,793	4,145	3,538

Loss before provision for income taxes	(215,519)	(441,708)	(309,796)	(563,821)
Provision for income taxes	202	654	--	--
Net Loss	$ (215,721)	$ (442,362)	$ (309,796)	$ (563,821)
Net Loss Per Share				
Basic	$ (.04)	$ (.09)	$ (.06)	$ (.19)
Weighted Average Number of Shares Outstanding				
Basic	5,300,413	5,189,295	4,852,376	2,892,188

The accompanying notes are an integral part of these financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.

Statement of Cash Flows
(Unaudited)

For The Six Months Ended November 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Net loss	$ (442,362)	$ (563,821)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	37,922	27,550
Non-cash compensation - common stock	16,792	12,276
Assumption of Debt Upon Acquisition	--	(31,170)
Changes in operating assets and liabilities:		
(Increase) decrease in contract receivables	(203,456)	(39,832)
(Increase) decrease in other receivables	(17,795)	--
(Increase) decrease in other current assets and other assets	(219,184)	(574)
Increase (decrease) in accounts payable and accrued expense	230,733	65,691
Net cash used in operating activities	(597,350)	(529,880)
Cash flows from investing activities:		
Purchases of property and equipment	(220,759)	(405)
Payments for patents and other costs	(17,300)	(11,199)
Net cash used in investing activities	(238,059)	(11,604)
Cash flows from financing activities:		
Proceeds from repayment of loans to officers	--	10,650
Net proceeds (payment)/line of credit	--	(90,000)
Proceeds from issuance of common stock net of costs	1,700,000	1,529,643
Net cash provided by financing activities	1,700,000	1,450,293
Net increase (decrease) in cash and cash equivalents	864,591	908,809
Cash and cash equivalents at beginning of year	1,039,693	277,870
Cash and cash equivalents at end of quarter	$ 1,904,284	$ 1,186,679
Supplemental disclosures of cash flow information:		

Cash paid during the year for		
Income taxes paid	$ --	$ --
Interest	--	2,232

The accompanying notes are an integral part of these financial statements

FLIGHT SAFETY TECHNOLOGIES, INC.

Notes To The Financial Statements
(Unaudited)
For The Six Months Ended November 30, 2003 and 2002

The financial statements of Flight Safety Technologies, Inc. (referred to herein as the "Company", unless the context indicates otherwise) presented herein are unaudited. In the opinion of management, these financial statements included all adjustments necessary for a fair presentation of the financial position. Results for the six months ended November 30, 2003 and 2002 are not necessarily indicative of results for the entire year. The accompanying financial statements should be read in conjunction with the Company's financial statements for the years ended May 31, 2003 and May 31, 2002 which are included in the Company's 10-KSB filed on August 14, 2003.

Note 1. Summary of Significant Accounting Policies:

Cash

Cash represents cash on hand of $108,512 and investments in money market accounts of $1,795,772 as of November 30, 2003. Money market accounts earn interest at approximately 1% (per annum).

Income Taxes

As of May 31, 2003 the Company has federal and state net operating loss carryforwards of approximately $1,700,000, to reduce future taxable income, if any. The federal operating losses expire in various years through 2023 and the state operating losses expire in various years through 2008. The Company also has state tax credit carryforwards of approximately $8,500, which expire in the year 2008.

Research and Development

Company sponsored research and development costs, including proposal costs and unreimbursed expenditures for developmental activities are charged against income in the year incurred.

Revenue and Cost Recognition

The Company recognizes income from contracts under the percentage of completion method of accounting for financial reporting purposes. Revenues are measured by the ratio of the costs incurred to date divided by the estimated total costs for each contract. Contracting costs include all direct material, labor and subcontracting costs. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in period in which such losses are determined. Changes in job performance, job conditions and estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Revenue related to claims is recorded at the lesser of actual costs incurred or the amount expected to realized.

Intangible Assets

Intangible assets consist of patent costs totaling $171,282 with accumulated amortization of $27,408. Amortization expense for the six months ended November 30, 2003 was $4,260. Amortization expense for each of the next five years is expected to be approximately $9,811.

Note 2. Interim Financial Information (Unaudited):

The interim financial statements of the Company for the three months ended November 30, 2003 and 2002, included herein, have been prepared by the Company, without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations relating to interim financial statements.

Note 3. Equity Transactions:

On September 1, 2002 the Company (then known as Reel Staff, Inc.) entered into a share exchange agreement ("Share Exchange") with shareholders of Flight Safety Technologies, Inc. (a private Delaware Corporation, formerly a subsidiary of the Company, operating under the name Flight Safety Technologies Operating, Inc. ("FSTO")). The share exchange resulted in a business combination treated as a reverse acquisition and recapitalization whereby for accounting purposes FSTO was treated as the acquiring corporation. The stock exchange rate was two and one half shares of the Company for every share of preferred and common stock tendered by the existing shareholders of FSTO. Simultaneous to this transaction the Company sold 283,335 units, at a price of $6.00 per unit with each unit consisting of one common share and one warrant for common stock exercisable at $6.00 per warrant, which generated net proceeds of $1,529,643 at the closing of the private placement pursuant to Regulation S under the United States Securities Act of 1933, as amended. During the three months ended August 31, 2003, the 283,335 common stock warrants were exercised at $6.00 resulting in additional proceeds to the Company of $1,700,000. As of June 27, 2003, the Company has acquired 100% of the common and preferred stock of FSTO and, effective that date, FSTO was merged into the parent pursuant to a short form merger under Delaware and Nevada law.

Note 4. Summary of Shares Outstanding:

Common stock of Company on November 30, 2002	4,919,035
Common Stock Warrants Exercised July 10 to August 8, 2003	283,335
Merger shares July 11, 2003 - minority shares tendered	98,043
Total common stock issued and outstanding as of November 30, 2003	5,300,413

For the six months ended November 30, 2003, the effect of the Company's stock options and warrants are excluded from diluted earnings per share calculations since the inclusion of such items would be antidilutive.

FLIGHT SAFETY TECHNOLOGIES, INC.

Notes To The Financial Statements
(Unaudited)
For The Six Months Ended November 30, 2003 and 2002

Note 5. Business Combination:

As indicated in Note 3, on September 1, 2002, the Company participated in a share exchange. This transaction resulted in a business combination treated as a reverse acquisition and recapitalization whereby for accounting purposes FSTO was treated as the acquiring corporation. The proforma operating results which reflect revenue, operating expense, loss from continuing operations and net loss, and loss per share for the current and historical periods would be as follows:

	Three Months 2002	Six Months 2002
Net Sales	$ 39,832	$ 39,832
Operating Expenses	$ (353,773)	$(607,191)
Net Loss	$ (309,796)	$ 563,821)
Net Loss Per Share	$ (.06)	$ (.19)

Note 6. Subsequent Events:

These financial statements have been adjusted to reflect a 1-for-3 reverse stock split which was effective December 31, 2003. As of November 30, 2003, shares outstanding have been adjusted and changed from 15,901,233 to 5,300,413. In conjunction with the stock split, common stock decreased by $10,600 and additional paid in capital increased by the same amount. For the three and six months ended November 30, 2003 and 2002, the weighted average number of shares decreased by 10,600,820, 10,378,590, 9,704,751 and 5,784,375, respectively. Net loss per share increased by $(.03), $(.06), $(.04) and $(.13), respectively.

TABLE OF CONTENTS

1,350,000 Units

Flight Safety Technologies, Inc.

Prospectus

The Shemano Group, Inc. [LOGO]

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. Indemnification of Directors and Officers

The General Corporation Law of Nevada provides for the indemnification of the officers, directors and corporate employees and agents of the Company under certain circumstances as follows:

78.747 LIABILITY OF STOCKHOLDER, DIRECTOR OR OFFICER FOR DEBT OR LIABILITY OF CORPORATION.

1. Except as otherwise provided by specific statute, no stockholder, director or officer of a corporation is individually liable for a debt or liability of the corporation, unless the stockholder, director or officer acts as the alter ego of the corporation.

2. A stockholder, director or officer acts as the alter ego of the corporation if:

(a) The corporation is influenced and governed by the stockholder, director or officer;

(b) There is such unity of interest and ownership that the corporation and the stockholder, director or officer are inseparable from each other; and

(c) Adherence to the corporate fiction of a separate entity would sanction fraud or promote a manifest injustice.

3. The question of whether a stockholder, director or officer acts as the alter ego of a corporation must be determined by the court as a matter of law.

78.7502 DISCRETIONARY AND MANDATORY INDEMNIFICATION OF OFFICERS DIRECTORS, EMPLOYEES AND AGENTS: GENERAL PROVISIONS.

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he:

(a) is not liable pursuant to NRS 78.138; or

(b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person is liable pursuant to NRS 78.138 or did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, or that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving as the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he:

(a) is not liable pursuant to NRS 78.138; or

(b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation.

Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon the application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnify for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

78.751 AUTHORIZATION REQUIRED FOR DISCRETIONARY INDEMNIFICATION; ADVANCEMENT OF EXPENSES; LIMITATION ON INDEMNIFICATION AND ADVANCEMENT OF EXPENSES.

1. Any discretionary indemnification pursuant to NRS 78.7502, unless ordered by a court or advanced pursuant to subsection 2, may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

(a) By the stockholders;

(b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;

(c) If a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or

(d) If a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

2. The articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

3. The indemnification pursuant to NRS 78.502 and advancement of expenses authorized in or ordered by a court pursuant to this section:

(a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to NRS 78.7502 or for the advancement of expenses made pursuant to subsection 2, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

(b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

78.752 INSURANCE AND OTHER FINANCIAL ARRANGEMENTS AGAINST LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS.

1. A corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

2. The other financial arrangements made by the corporation pursuant to subsection 1 may include the following:

(a) The creation of a trust fund.

(b) The establishment of a program of self-insurance.

(c) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation.

(d) The establishment of a letter of credit, guaranty or surety.

No financial arrangement made pursuant to this subsection may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

3. Any insurance or other financial arrangement made on behalf of a person pursuant to this section may be provided by the corporation or any other person approved by the board of directors, even if all or part of the other person's stock or other securities is owned by the corporation.

4. In the absence of fraud:

(a) The decision of the board of directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this section and the choice of the person to provide the insurance or other financial arrangement is conclusive; and

(b) The insurance or other financial arrangement:

(1) Is not void or voidable; and

(2) Does not subject any director approving it to personal liability for his action, even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

5. A corporation or its subsidiary which provided self-insurance for itself or for another affiliated corporation pursuant to this section is not subject to the provisions of Title 57 of NRS.

THE SEVENTH ARTICLE OF THE COMPANY'S ARTICLES OF INCORPORATION PROVIDE AS FOLLOWS:

SEVENTH. No director or officer of this corporation shall have any personal liability to this corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except that this Article Seventh shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of dividends in violation of the Nevada General Corporation Law. Any repeal or modification of this article by the stockholders of this corporation shall not adversely affect any right or protection of any director of this corporation existing at the time of such repeal or modification.

SECTION 10 OF THE COMPANY'S BY-LAWS PROVIDE AS FOLLOWS:

10.1 Right to Indemnification of Directors and Officers

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Nevada General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 10.3 of these Bylaws or with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

10.2 Right to Advancement of Expenses

The right to indemnification conferred in Section 10.1 of these Bylaws shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding for which such right to indemnification is applicable in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Nevada General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise.

10.3 Right of Indemnitee to Bring Suit

The rights to indemnification and to the advancement of expenses conferred in Sections 10.1 and 10.2 of these Bylaws shall be contract rights. If a claim under Sections 10.1 and 10.2 of these Bylaws is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Nevada General Corporation Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in Nevada General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be

indemnified, or to such advancement of expenses, under this section or otherwise shall be on the Corporation.

10.4 Non-Exclusivity of Rights

The rights to indemnification and to the advancement of expenses conferred in this article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's certificate of incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

10.5 Insurance

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Nevada General Corporation Law.

10.6 Indemnification of Employees and Agents of the Corporation

The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

10.7 No Presumption of Bad Faith

The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of this Corporation, or, with respect to any criminal proceeding, that the person had reasonable cause to believe that the conduct was unlawful.

10.8 Survival of Rights

The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

10.9 Amendments to Law

For purposes of this Bylaw, the meaning of "law" within the phrase "to the fullest extent not prohibited by law" shall include, but not be limited to, the Nevada General Corporation Law, as the same exists on the date hereof or as it may be amended; provided, however, that in the case of any such amendment, such amendment shall apply only to the extent that it permits the Corporation to provide broader indemnification rights than the Act permitted the Corporation to provide prior to such amendment.

10.10 Savings Clause

If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, the Corporation shall indemnify each director, [officer or other agent] to the fullest extent permitted by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

10.11 Certain Definitions

For the purposes of this Section, the following definitions shall apply:

(a) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement and appeal of any threatened, pending or completed action, suit or proceeding, whether brought in the right of the Corporation or otherwise and whether civil, criminal, administrative or investigative, in which the director or officer may be or may have been involved as a party or otherwise by reason of the fact that the director or officer is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise.

(b) The term "expenses" shall be broadly construed and shall include, without limitation, all costs, charges and expenses (including fees and disbursements of attorneys, accountants and other experts) actually and reasonably incurred by a director or officer in connection with any proceeding, all expenses of investigations, judicial or administrative proceedings or appeals, and any expenses of establishing a right to indemnification under these Bylaws, but shall not include amounts paid in settlement, judgments or fines.

(c) "Corporation" shall mean Flight Safety Technologies, Inc. and any successor corporation thereof.

(d) Reference to a "director" or "officer" of the Corporation shall include, without limitation, situations where such person is serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise.

(e) References to "other enterprises" shall include employee benefit plans. References to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan. References to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries. A person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Bylaw.

As is permitted by the Nevada Revised Statutes and our charter, we presently have directors and officers liability insurance for the benefit of our directors and certain of our officers.

Item 25. Other Expenses of Issuance and Distribution

The expenses to be paid by the registrant are as follows. All amounts other than the SEC registration fee, the NASD filing fee, and the American Stock Exchange listing fee are estimates.

	Amount to be Paid
SEC registration fee	$ 2,044.84
NASD filing fee	2,708.00
American Stock Exchange listing fee	65,000.00
Legal fees and expenses	300,000.00
Accounting fees and expenses	17,500.00
Printing and engraving	50,000.00
Transfer agent fees	500.00
Miscellaneous	61,747.16
Total	$499,500.00

Item 26. Recent Sales of Unregistered Securities

There have been no sales of unregistered securities within the last three years which would be required to be disclosed pursuant to Item 701 of Regulation S-B, except for the following:

In June 2001, prior to the share exchange with FSTO, as Reel Staff, Inc., we issued 613,750 shares of our common stock to three accredited investors and seventeen non-accredited investors for $0.02 per share. The shares were issued in a transaction which we believe satisfies the requirements of that exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and Rule 506 of Regulation D promulgated pursuant to that act by the SEC. Specifically, the offer was made to "accredited investors", as that term is defined under applicable federal and state securities laws, and no more than 35 non-accredited investors. Based on the information provided in the subscription documents, which were completed by all investors, we believe that each of the non-accredited investors was sophisticated because each non-accredited investor has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment. Each investor was given adequate access to sufficient information about us to make an informed investment decision. We did not use any public solicitation or general advertising in connection with this offering. There were no commissions paid on the sale of these shares. The net proceeds to us were $12,075. 10,000 of those shares were issued to Renee Close in exchange for graphic design services, which were valued at $200.

On May 22, 2001, prior to the share exchange with FSTO, as Reel Staff, Inc., we issued 1,600,000 shares of our common stock to Thomas E. Stepp, Jr., Michael Muellerleile, Deron Colby, Richard Reincke, Amy Pontillas, and Lan P. Nguyen, in a transaction which we believe satisfies the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of the Securities Act of 1933, as amended. Michael Muellerleile, Deron Colby, Richard Reincke, Amy Pontillas, and Lan P. Nguyen are non-accredited investors and were given adequate access to sufficient information about us to make an informed investment decision. We believe that each of the non-accredited investors was sophisticated because each non-accredited investor works for our legal counsel and has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment. The shares were issued in exchange for services provided to us, which were valued at $1,600. We did not use any public solicitation or general advertising in connection with this offering.

On May 22, 2001, prior to the share exchange with FSTO, as Reel Staff, Inc., we issued 3,900,000 shares of our common stock to our former officers and directors, both of who are accredited investors. Of this amount Renee McCracken, our former president, secretary, and a director received 3,700,000 shares of our common stock. Carol McCracken, our former treasurer and a director received 200,000 shares of our common stock. The shares were issued in a transaction which we believe satisfies the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by Rule 506 and the provisions of Section 4(2) of the Securities Act of 1933, as amended. The shares were issued in exchange for services provided to us, which were valued at $3,900.

On September 1, 2002, prior to the share exchange with FSTO, as Reel Staff, Inc., we authorized issuance of up to 8,505,857 shares of common stock to stockholders of FSTO. We issued 8,211,728 shares in return for 96.54% ownership interest in FSTO. On June 27, 2003, we issued 294,126 shares of our common stock as a result of FSTO being merged into us pursuant to Delaware and Nevada law.

In conjunction with the exchange, we also converted 121,269 FSTO warrants into 303,173 Company warrants and 659,540 FSTO options into 1,648,850 Company options. All options and warrants issued thereunder have an exercise price of $2.00 and expire August 31, 2005. The securities issued were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, because this issuance was not a public offering.

On September 1, 2002, prior to the share exchange with FSTO, as Reel Staff, Inc., we issued 850,000 common shares and 850,000 warrants, each warrant to purchase one of our common shares. The shares and warrants were issued in a private placement in reliance upon Regulation S under the Securities Act of 1933 (the "Company Private Placement"). The common shares were issued at a price of $2.00 per share, resulting in aggregate proceeds of $1,700,000 and net proceeds after costs of issuance of approximately $1,500,000. We subsequently registered these shares and the shares underlying the warrants pursuant to an SB-2 Registration Statement that became effective February 19, 2003. As of August 31, 2003, all such warrants had been exercised, resulting in additional aggregate proceeds to us of $1,700,000.

Item 27. Exhibits

Exhibit No.	Description
1.1	*Form of Underwriting Agreement
3.1	Articles of Incorporation (1)
3.2	Certificate of Amendment to Articles of Incorporation (2)
3.3	By-Laws (3)
4.1	Placement Agent Warrant Agreement dated November 3, 2000, between Flight Safety Technologies, Inc. and Spencer Trask Ventures, Inc. (4)
4.2	Form of Director Option (5)
4.3	Form of Unit Certificate (6)
4.4	*Form of Public Warrant Agreement (including Form of Warrant Certificate)
4.5	*Form of Underwriter's Unit Warrant Agreement (including Form of Underwriter's Unit Warrant Certificate)
4.6	*Specimen Common Stock Certificate
5.1	Opinion of Tobin, Carberry, O'Malley, Riley, Selinger, P.C. (7)
10.1	Employment Agreement effective as of November 4, 2003, between Flight Safety Technologies, Inc. and Samuel A. Kovnat (8)
10.2	Employment Agreement effective as of November 4, 2003, between Flight Safety Technologies, Inc. and William B. Cotton (9)
10.3	Employment Agreement effective as of November 4, 2003, between Flight Safety Technologies, Inc. and David D. Cryer (10)
10.4	Employment Agreement dated November 3, 2000, between FSTO and Frank L. Rees (11)
10.5	Teaming Agreement dated May 1, 1997, by and between FSTO and Lockheed Martin Corporation (12)
10.6	Share Exchange Agreement between Reel Staff, Inc. and Flight Safety Technologies, Inc., dated June 24, 2002, as amended July 15, 2002 (13)
10.7	Cost Reimbursement Research Project Agreement between Flight Safety Technologies, Inc. and Georgia Tech Applied Research Corporation (14)
10.8	Phase III Contract issued by U.S. Department of Transportation/RSPA/Volpe Center, dated September 30, 2003 (15)
10.9	Agreement between Flight Safety Technologies, Inc. and Advanced Acoustics Concepts, Inc., dated January 14, 2000 (16)
16	Consent of Quintanilla, A Professional Accounting Corporation (17)
23.1	*Consent of Kostin, Ruffkess & Company, LLC
23.2	Consent of Tobin, Carberry, O'Malley, Riley, Selinger, P.C. (included as Exhibit 5.1)

*Submitted herewith.

(1) Incorporated by reference to Exhibit 3.1 on our Form SB-2, which was filed on August 9, 2001.
(2) Incorporated by reference to Appendix A on our Schedule 14C Information Statement which was filed on August 14, 2002.
(3) Incorporated by reference to Exhibit 3.2 on our Form SB-2, which was filed on August 9, 2001.
(4) Incorporated by reference to Exhibit 4.1 on our Form SB-2/A, which was filed on November 26, 2003.
(5) Incorporated by reference to Exhibit 4.2 on our Form SB-2/A, which was filed on November 26, 2003.
(6) Incorporated by reference to Exhibit 4.3 on our Form SB-2/A, which was filed on November 26, 2003.
(7) Incorporated by reference to Exhibit 5.1 on our Form SB-2/A, which was filed on November 26, 2003.
(8) Incorporated by reference to Exhibit 10.1 on our Form SB-2/A, which was filed on January 29, 2004.
(9) Incorporated by reference to Exhibit 10.2 on our Form SB-2/A, which was filed on January 29, 2004.
(10) Incorporated by reference to Exhibit 10.3 on our Form SB-2/A, which was filed on January 29, 2004.
(11) Incorporated by reference to Exhibit 10.4 to our 8-KA filed on November 6, 2002.
(12) Incorporated by reference to Exhibit 10.7 to our 8-KA filed on November 6, 2002.
(13) Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on July 18, 2002.
(14) Incorporated by reference to Exhibit 10.7 on our Form SB-2/A, which was filed on November 26, 2003.
(15) Incorporated by reference to Exhibit 10.8 on our Form SB-2/A, which was filed on November 26, 2003.
(16) Incorporated by reference to Exhibit 10.9 on our Form SB-2/A, which was filed on November 26, 2003.
(17) Incorporated by reference to Exhibit 16 to our 8-KA filed on October 22, 2002.

Item 28. Undertakings

The undersigned registrant hereby undertakes to provide to the Underwriter at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any additional or changed material information with respect to the plan of distribution disclosed in the registration statement.

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the

offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) that, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424 (b)(1) or (4), or 497(h) under the Securities Act of 1933, shall be deemed to be part of this registration statement as of the time it was declared effective.

(5) that, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this Amendment No. 4 to this Registration Statement to be signed on its behalf by the undersigned in the City of New London, State of Connecticut, on January 30, 2004.

FLIGHT SAFETY TECHNOLOGIES, INC.

/s/ Samuel A. Kovnat

[redacted]

Samuel A. Kovnat
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 4 to this Registration Statement has been signed by the following persons in the capacities indicated on January 30, 2004.

Signature

*

[redacted]

William B. Cotton
Director, President

*

[redacted]

Frank L. Rees
Director, Executive Vice President

*

[redacted]

Jackson Kemper, Jr.
Director

/s/ David D. Cryer

[redacted]

David D. Cryer
Chief Financial Officer, Secretary, Treasurer

*

[redacted]

Stephen P. Tocco
Director

*

[redacted]

Joseph J. Luca
Director

*

[redacted]

Larry L. Pressler
Director

*

[redacted]

Kenneth S. Wood
Director

*By: /s/ Samuel A. Kovnat

[redacted]

Samuel A. Kovnat
Attorney in Fact

Exhibit 1.1

FLIGHT SAFETY TECHNOLOGIES, INC.

1,350,000 Units consisting of
2,700,000 Shares of Common Stock
(Par Value $.001 Per Share)
and
Redeemable Warrants to Purchase
1,350,000 Shares of Common Stock

FORM OF UNDERWRITING AGREEMENT

New York, New York
January 30, 2004

The Shemano Group, Inc.,
as Representative of the Underwriters
601 California Street
Suite 1150
San Francisco, CA 94108

Ladies and Gentlemen:

Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), proposes to issue and sell to The Shemano Group, Inc. ("Shemano" or the "Representative") and Pali Capital, Inc. ("Pali", and collectively with Shemano, the "Underwriters", unless the context is otherwise) an aggregate of One Million Three Hundred Fifty Thousand (1,350,000) units (the "Offered Units"), at a price of $5.55 per Offered Unit, consisting of an aggregate of Two Million Seven Hundred Thousand (2,700,000) shares of common stock of the Company, par value $.001 per share (the "Offered Shares"), which Offered Shares are presently authorized but unissued shares of common stock of the Company, par value $.001 per share (individually, a "Common Share" and collectively the "Common Shares"), and One Million Three Hundred Fifty Thousand (1,350,000) Common Share purchase warrants (the "Offered Warrants"), entitling the holder of each Offered Warrant to purchase, at any time commencing on the Separation Date (as hereinafter defined) until 5:00 p.m. Eastern time, on January 29, 2009, one (1) Common Share, at an exercise price of $3.30 (subject to adjustment in certain circumstances). The Offered Shares and the Offered Warrants will be offered to the public in Offered Units, each consisting of two Offered Shares and one Offered Warrant at a public offering price of Six Dollars ($6.00) per Offered Unit. The securities comprising the Offered Units will become detachable and separately transferable commencing 30 days from the Effective Date (as hereinafter defined) or such earlier date as to which the Representative determines (the "Separation Date"). The Company shall have the right to call each Offered Warrant for redemption upon not less than thirty (30) days' prior written notice at any time commencing on January 29, 2005, at a redemption price of Twenty-Five Cents ($.25) per Offered Warrant (subject to adjustment in certain circumstances); provided that (i) the last reported sales price of the Common Shares equals or exceeds $10.00 (subject to adjustment in certain circumstances) for twenty (20) consecutive trading days ending on the tenth day prior to the day on which the Company gives notice (the "Call Date") of redemption, and (ii) the Offered Warrants are then currently exercisable. In addition, the Underwriters, in order to cover over-allotments in the sale of the Offered Units, may purchase up to an aggregate of Two Hundred Two Thousand Five Hundred (202,500) units (the "Optional Units"), each Optional Unit consisting of two Common Shares (collectively, "Optional Shares") and one Common Share purchase warrant identical to the Offered Warrants (collectively, the "Optional Warrants"). The Offered Units and the Optional Units are sometimes collectively referred to as the "Units"; the Offered Shares and the Optional Shares are hereinafter sometimes collectively referred to as the "Shares"; and the Offered Warrants and the Optional Warrants are hereinafter sometimes collectively referred to as the "Warrants." The Warrants will be issued pursuant to a Warrant Agreement substantially in the form of Exhibit 4.4 to the Registration Statement (as hereinafter defined) (the "Warrant Agreement") to be dated as of the Closing Date (as hereinafter defined) by and among the Company, the Underwriters and Pacific Stock Transfer Company, as warrant agent (the "Warrant Agent").

The Company also proposes to issue and sell to Shemano, for its own account and the accounts of its designees, for an aggregate price of One Hundred Dollars ($100.00), warrants (the "Representative's Warrants") to purchase up to an aggregate of One Hundred Thirty-Five Thousand (135,000) units (the "Underlying Units"), each Underlying Unit to consist of two Common Shares (collectively, the "Underlying Shares") and one Common Share purchase warrant (collectively, the "Underlying Warrants"), at an exercise price of 120% of the offering price of the Offered Units, which sale will be consummated in accordance with the terms and conditions of the form of Underwriter's Unit Warrant Agreement substantially in the form of Exhibit 4.5 to the Registration Statement. The Underlying Shares, the Underlying Warrants and the Common Shares issuable upon exercise of the Underlying Warrants (the "Underlying Warrant Shares") are hereinafter sometimes referred to as the "Underlying Securities". The Units, the Shares, the Warrants, the Common Shares issuable upon exercise of the

Warrants (the "Warrant Shares"), the Representative's Warrants and the Underlying Securities (collectively, the "Securities") are more fully described in the Registration Statement and the Prospectus, as defined below.

As used herein, the Company's "knowledge" shall include the knowledge of all officers and directors of the Company.

The Company hereby confirms its agreements with the Underwriters as follows:

1. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the Underwriters that:

(a) The conditions for use of a registration statement on Form SB-2 have been satisfied with respect to the Company, the transactions contemplated herein and in the Registration Statement (defined below). A Registration Statement on Form SB-2 (File No. 333-109916) including a preliminary form of Prospectus (the "Registration Statement"), relating to the offering of the Units, the Shares, the Warrants, the Warrant Shares, the Representative's Warrants and the Underlying Securities, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") promulgated pursuant to the Act, and said Registration Statement has been filed with the Commission under the Act. One or more amendments to said Registration Statement has or have, as the case may be, been similarly prepared and filed with the Commission covering the registration of the Securities under the Act including the related preliminary prospectus or preliminary prospectuses (each thereof being herein called a "Preliminary Prospectus"). Each Preliminary Prospectus was endorsed with the legend required by Item 501(a)(5) of Regulation S-B of the Regulations and, if applicable, Rule 430A of the Rules and Regulations. The Company has prepared and shall file on or prior to the effective date of said Registration Statement an additional amendment thereto, which will include the final Prospectus. The Company will not, so long as any portion of the Representative's Warrants remains outstanding and exercisable, file any amendment to the Registration Statement or any amendment or supplement to the Preliminary Prospectus or the Prospectus (as those terms are defined below) unless the Company has given reasonable and prior notice thereof to the Underwriters and Underwriters' Counsel (as such term is defined below) and neither shall have reasonably objected within a reasonable period of time prior to the filing thereof. As used in this Agreement and unless the context indicates otherwise, the term "Registration Statement" refers to and means said Registration Statement, all exhibits, financial statements and schedules and the Preliminary Prospectus included therein, as finally amended and revised on or prior to the effective date (the "Effective Date") of said Registration Statement. The term "Preliminary Prospectus" refers to and means any prospectus filed with the Commission and included in said Registration Statement before it becomes effective, and the term "Prospectus" refers to and means the Prospectus included in the Registration Statement, except that (i) if the prospectus first filed by the Company pursuant to Rule 424(b) of the Rules and Regulations shall differ from the Prospectus, the term "Prospectus" shall also refer to the prospectus filed pursuant to Rule 424 (b), and (ii) if the Registration Statement is amended or such Prospectus is supplemented after the Effective Date and prior to the Option Closing Date (as defined in Section 2), then the terms "Registration Statement" and "Prospectus" shall include such documents as so amended or supplemented. As used herein, "Material Adverse Effect" refers to and means an effect which, singularly or in the aggregate, would result in any material adverse change in, or would materially adversely affect, the business operations, condition, financial or otherwise, or the earnings, income, stockholders' equity, net worth, business affairs, position, business prospects, value, operation, properties, business or results of operations of the Company or the capital stock of the Company or which would prevent consummation of the transactions contemplated hereby.

(b) Neither the Commission nor, to the best of the Company's knowledge, any state regulatory authority has issued an order preventing or suspending the use of any Preliminary Prospectus nor has the Commission or any such authority instituted or, to the best of the Company's knowledge, threatened to institute any proceedings with respect to such an order.

(c) The Registration Statement when it becomes effective, the Prospectus (and any amendments or supplements thereto) when it is filed with the Commission pursuant to Rule 424(b), and both documents as of the First Closing Date and the Option Closing Date referred to below, will contain all statements which are required to be stated therein in accordance with the Act and the Rules and Regulations and will conform in all material respects to the requirements of the Act and the Rules and Regulations, and at such times neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, except that the representations and warranties in this Section 1(c) do not apply to statements or omissions made in the Registration Statement or Prospectus made in reliance upon and in conformity with information furnished in writing to the Company in connection with the Registration Statement or Prospectus or any amendment or supplement thereto by or on behalf of the Underwriters, expressly for use therein.

(d) The Company has been duly incorporated and is now, and at the Closing Dates will be, validly existing and in good standing as a corporation under the laws of the State of Nevada, and has (i) an authorized and outstanding capitalization and indebtedness as set forth in the Registration Statement at the respective dates referred to therein and (ii) full power and authority, corporate and other, to own or lease, as the case may be, its properties, whether tangible or intangible, and conduct its business as presently conducted and as described in, or contemplated by, the Registration Statement and to execute, deliver and perform this Agreement, the Underwriter's Unit Warrant Agreement, the Warrant Agreement and the Warrants and to consummate the transactions contemplated hereby and thereby. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of the business transacted by it or the character or location of its properties, in each case taken as a whole, makes such qualification necessary, except where the failure to so qualify would not have a Material Adverse Effect. The Company holds, or will hold by the First Closing Date, all licenses, certificates and permits from state, federal or other regulatory authorities necessary for the conduct of its business as presently conducted and as described in or contemplated by the Registration Statement, except where the absence of such license, certificate or permit would not have a Material Adverse Effect, and is in material compliance with all laws and regulations and all orders and decrees applicable to it or to such business or assets, including, without limitation, all laws and regulations and all orders and decrees of the Federal Aviation Administration ("FAA"), the U.S. Department of Transportation ("USDOT"), National Aeronautics and Space Administration ("NASA") and the Defense Contract Audit Agency

("DCAA"), and there are no proceedings pending or, to the knowledge of the Company, threatened, seeking to cancel, terminate or limit such licenses, approvals or permits. The Company does not own, directly or indirectly, any capital stock of or other equity interest in any corporation, partnership or other legal entity whatsoever.

(e) The description of the Company's history, as set forth under the caption "History" in the Registration Statement, is a materially accurate and complete account of the Company's history as of the date hereof.

(f) The financial statements of the Company, including the schedules and related notes, if any, filed as part of the Registration Statement and included in the Prospectus, are complete, correct and present fairly the financial position of the Company as of the dates thereof and the results of operations and changes in financial position of the Company for the respective periods indicated therein. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as otherwise stated in the Registration Statement and the Prospectus, and all adjustments necessary for a fair presentation of results for such periods have been made. The financial and statistical information and data included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) are presented fairly and have been compiled on a basis consistent with that of the financial statements included in the Registration Statement and the Prospectus and the books and records of the Company.

(g) The accounting firm of Kostin, Ruffkess & Company, LLC, who has certified certain of the financial statements included in the Preliminary Prospectuses, the Registration Statement and the Prospectus (or any amendment or supplement thereto), are independent public accountants within the meaning of the Act and the Rules and Regulations.

(h) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus and the Company's latest financial statements, except as disclosed in by the Registration Statement and Prospectus, (i) the Company has not incurred any material liability or obligation, direct or contingent, or entered into any material transactions whether or not incurred in the ordinary course of business; (ii) the Company has not sustained any material loss or interference with its business from fire, storm, explosion, flood or other casualty (whether or not such loss is insured against), or from any labor dispute or court or governmental action, order or decree; (iii) since the respective dates as of which information is given in the Registration Statement and Prospectus, there have not been, and through and including the First Closing Date reference to below, there will not be, any changes in the capital stock or any material increases in the long-term debt or other securities of the Company or any Material Adverse Effect; and (iv) the Company has not paid or declared any dividend or other distribution on its Common Shares or its other securities or redeemed or repurchased any of its Common Shares or other securities.

(i) This Agreement, and compliance by the Company with the terms hereof, have been duly and validly authorized by all necessary corporate action and have been duly executed and delivered by the Company and constitute the valid and binding obligations of the Company enforceable in accordance with its terms, except to the extent enforceability may be limited by any bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally and, to the extent that the remedy of specific performance and injunction or other forms of equitable relief may be subject to equitable defenses and the discretion of the court before which any proceeding therefor may be brought. The Underwriter's Unit Warrant Agreement, and compliance by the Company with the terms thereof, have been duly and validly authorized by all necessary corporate action and upon execution and delivery will be duly executed and delivered by the Company and will constitute the valid and binding obligations of the Company enforceable in accordance with its terms, except to the extent enforceability may be limited by any bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally and to the extent that the remedy of specific performance and injunction or other forms of equitable relief may be subject to equitable defenses and the discretion of the court before which any proceeding therefor may be brought. The Warrant Agreement, and compliance by the Company with the terms thereof, have been duly and validly authorized by all necessary corporate action and upon execution and delivery will be duly executed and delivered by the Company and will constitute the valid and binding obligations of the Company enforceable in accordance with its terms, except to the extent enforceability may be limited by any bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally and to the extent that the remedy of specific performance and injunction or other forms of equitable relief may be subject to equitable defenses and the discretion of the court before which any proceeding therefor may be brought. The Warrants and the Representative's Warrants, and compliance by the Company with the terms thereof, have been duly and validly authorized by all necessary corporate action and upon execution and delivery will be duly executed and delivered by the Company and will constitute the valid and binding obligations of the Company enforceable in accordance with their terms, except to the extent enforceability may be limited by any bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally and to the extent that the remedy of specific performance and injunction or other forms of equitable relief may be subject to equitable defenses and the discretion of the court before which any proceeding therefor may be brought. The Units have been duly authorized and, when issued and delivered to and paid for by the Underwriters in accordance with the Agreement, will be validly issued, fully paid and nonassessable. The Company is not presently in violation of or in default under this Agreement, the Underwriter's Unit Warrant Agreement, the Warrant Agreement, the Warrants, the Representative's Warrants or the Units, and the execution, delivery and performance by the Company of this Agreement, the Underwriter's Unit Warrant Agreement, the Warrant Agreement, the Warrants, the Representative's Warrants and the Units, and the consummation of the transactions herein and therein contemplated, will not, with or without the giving of notice or the lapse of time or both, (i) result in a breach of or constitute default under any of the terms, conditions or provisions of the certificate of incorporation or by-laws, each as amended, of the Company; (ii) result in a breach of or conflict with any of the terms or provisions of, or constitute a default under, or result in the modification or termination of, or the creation or imposition of any lien, security interest, charge or encumbrance upon any property or asset of the Company pursuant to any material note, indenture, mortgage, deed of trust, contract, commitment or other material agreement or instrument to which the Company is a party or by which the Company or any of its respective properties or assets may be bound or affected; (iii) violate any existing law, order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality, agency, body or court, domestic or foreign, having jurisdiction over the Company or any of its properties or businesses; or (iv) have any effect on any permit, certification, registration, approval, consent, order license, franchise or other authorization (collectively, the "Permits") that would result in a Material Adverse Effect on the Company's ability to own or lease and operate its properties and to conduct its business or the ability to make use thereof.

(j) To the best of the Company's knowledge, no Permits of any government or governmental instrumentality, agency, body or court other than under the Act, the blue sky or securities laws of any state or the rules of the National Association of Securities Dealers, Inc. ("NASD") (regarding approval of underwriting compensation) and The American Stock Exchange LLC ("AMEX") (regarding listing of the Units, Common Shares and Warrant Shares) are required (i) for the valid authorization, issuance, sale and delivery of the Units, Shares and Warrants to the Underwriters, and (ii) the consummation by the Company of the transactions contemplated by this Agreement, the Underwriter's Unit Warrant Agreement, the Warrant Agreement, the Warrants, the Representative's Warrants and the Units.

(k) Except as disclosed in the Prospectus there is neither pending nor, to the best of the Company's knowledge, threatened, against the Company any claim, action, suit, or proceeding at law or in equity, arbitration (or circumstances that may give rise to the same), investigation or inquiry to which the Company or any of its respective officers, directors or shareholders is a party or involving the Company's properties or businesses before or by any court, arbitration tribunal or governmental instrumentality, agency, or body, which, if determined adversely to the Company, could reasonably be expected to, individually or in the aggregate result in any Material Adverse Effect; nor are there any such actions, suits or proceedings against the Company related to consumer protection, distribution, rental and sales, or environmental matters or matters related to discrimination on the basis of age, sex, religion or race; and no labor disturbance by the employees of the Company exists or to the knowledge of the Company is threatened which might be expected to result in a Material Adverse Effect.

(l) There is no contract or other document which is required by the Act or by the Rules and Regulations to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which has not been so described or filed as required and each contract or document which has been described in the Registration Statement has been described accurately and presents fairly the information required to be described and each such contract or document which is filed as an exhibit to the Registration Statement is and shall be in full force and effect at the Closing Date or shall have been terminated in accordance with its terms or as set forth in the Registration Statement and Prospectus, and no party to any such contract has given notice to the Company of the cancellation of or, to the knowledge of the Company, shall have threatened to cancel, any such contract the Company is not in default thereunder.

None of the material provisions of such contracts or instruments violates any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court having jurisdiction over the Company or any of its respective assets or businesses, including, without limitation, the FAA, USDOT, NASA and the DCAA, and comparable foreign state and local regulatory authorities.

(m) The Company does not own any real property. The Company has good title to all of its personal property (tangible and intangible) and assets, including any licenses, trademarks and copyrights, described in the Registration Statement as owned by it, free and clear of all security interests, liens, charges, mortgages, encumbrances and restrictions other than as described in the Registration Statement and Prospectus. The leases, subleases and licenses under which the Company is entitled to lease, hold or use any real or personal property are valid, subsisting and enforceable only with such exceptions as are not material and do not interfere with the use of such property made or proposed to be made by the Company, and all rentals, royalties or other payments accruing thereunder which become due prior to the date of this Agreement have been duly paid and neither the Company nor, to the Company's best knowledge, any other party is in default in respect of any of the terms or provisions of any such leases, subleases and licenses, and no claim of any sort has been asserted by anyone adverse to the rights of the Company under any such leases, subleases or licenses affecting or questioning the rights of the Company to the continued use or enjoyment of the rights and property covered thereby. The Company has not received notice of any violation of any applicable law, ordinance, regulation, order or requirement relating to its owned or leased properties. The Company owns or leases all such properties as are necessary to its operations as now conducted and as proposed to be conducted as set forth in the Prospectus.

(n) The Company has filed with the appropriate federal, state and local governmental agencies, and all appropriate foreign countries and political subdivisions thereof, all tax returns, including franchise tax returns, which are required to be filed or has duly obtained extensions of time for the filing thereof and has paid all taxes shown on such returns and all assessments received by it to the extent that the same have become due; and the provisions for income taxes payable, if any, shown on the financial statements included in the Registration Statement are sufficient for all accrued and unpaid foreign and domestic taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. The Company has not executed or filed with any taxing authority, foreign or domestic, any agreement extending the period for assessment or collection of any income taxes and is not a party to any pending action or proceeding by any foreign or domestic governmental agency for assessment or collection of taxes; and no claims for assessment or collection of taxes have been asserted against the Company.

(o) The Company maintains insurance, which is in full force and effect, including but not limited to personal injury and product liability insurance, insurance covering all personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism, acts of terror, acts of war and all other risks customarily insured against. The Company maintains insurance in amounts as are usually maintained by companies engaged in the same or similar businesses located in their geographic area. The Company is not aware of any facts or circumstances which would require it to notify its insurers of any claim of which notice has not been made or will not be made in a timely manner. To the best knowledge of the Company, there are no facts or circumstances under any existing insurance policy or surety bond which would relieve any insurer of its obligation to satisfy in full any existing valid claim of the Company under such policy or bond.

(p) The Company owns or otherwise possesses adequate, enforceable and unrestricted rights to use all patents, patent rights, inventions, trademarks, service marks, trade names and copyrights, rights, trade secrets, confidential information, processes and formulations (including all other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), inventions, designs, works of authorship, computer programs and technical data and information used or proposed to be used in the conduct of its business as described in the Prospectus (collectively, the "Intangibles") and to the best of the Company's knowledge, the Company has not infringed nor is infringing upon the rights of others with respect to the Intangibles. The Company has not received any notice of conflict with the asserted rights of others with respect to the Intangibles, which could, singularly or in the aggregate, result in a Material Adverse Effect, and the Company knows of no basis therefor. To the best of the Company's knowledge, no others have infringed upon the Intangibles of the Company. Except as disclosed in or contemplated by the Prospectus, the Company is not obligated or under any liability whatsoever to make any payment

by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, the Intangibles with respect to the use thereof or in connection with the conduct of its business or otherwise. The Company has taken reasonable security measures to protect the secrecy, confidentiality and value of all its Intangibles in all material aspects.

(q) Except for the finder's fee payable by Shemano to Dunwoody Brokerage Services, Inc., neither the Company nor any of its affiliates has incurred any liability for, nor is there is any outstanding claim for services in the nature of, a finder's fee or similar fee in connection with the transactions herein contemplated.

(r) No officer or director of the Company, or any affiliate (as such term is defined in Rule 405 promulgated under the Rules and Regulations) of any such officer or director, has taken, and each officer or director has agreed that he will not take, directly or indirectly, any action designed to constitute or which has constituted or which might reasonably be expected to cause or result in the stabilization of the price of the Units, Common Shares or Warrants, or a violation of Regulation M of the Rules and Regulations or in a manipulation of the price of any security issued by the Company.

(s) Except as disclosed in or contemplated by the Prospectus, no officer, director or shareholder of the Company, or any "affiliate" or "associate" (as these terms are defined in Rule 405 promulgated under the Rules and Regulations) of any of the foregoing persons or entities has or has had during the past three years, either directly or indirectly, (i) an interest in any person or entity which (A) furnishes or sells products which are furnished or sold or are proposed to be furnished or sold by the Company, or (B) purchases from or sells or furnishes to the Company any goods or services, or (ii) a beneficial interest in any contract or agreement to which the Company is a party or by which it may be bound or affected. There are no existing agreements, arrangements, or transactions, between or among the Company and any officer, director of the Company, or any partner, affiliate or associate of any of the foregoing persons or entities which are required to be described in the Registration Statement and which are not so described.

(t) The minute books of the Company have been made available to the Underwriters and contain a complete summary of all meetings and actions of the directors and shareholders of the Company since the time of its incorporation, and reflect all transactions referred to in such minutes accurately in all material respects.

(u) No labor problem exists with any of the Company's employees or is imminent, nor is the Company aware of any bankruptcy, labor disturbance or other event affecting any of its principal suppliers or customers, which could result in a Material Adverse Effect.

(v) The Securities and the other securities of the Company conform to all statements in relation thereto in the Registration Statement; the authorized, issued and outstanding Common Shares are set forth in the Prospectus under the caption "Description of Securities"; the outstanding Common Shares have been duly authorized and validly issued and are fully paid and non-assessable; the outstanding options and warrants to purchase Common Shares have been duly authorized and validly issued and constitute the valid and binding obligations of the Company, enforceable in accordance with their terms. None of such outstanding Common Shares or warrants or options to purchase Common Shares were issued in violation of the pre-emptive rights of any shareholder of the Company. None of the registered or beneficial holders of the outstanding Common Shares are subject to personal liability for obligations of the Company solely by reason of being shareholders. The offers and sales of the previously issued Common Shares and options and warrants to purchase Common Shares and of any previously issued preferred stock of the Company and all securities of each predecessor of the Company (each a "Predecessor"), including without limitation Flight Safety Technologies, Inc., a Wyoming corporation ("FST - Wyoming"), and Flight Safety Technologies, Inc., a Delaware corporation ("FST - Delaware")) were at all relevant times either registered under the Act and the applicable state securities or Blue Sky laws or exempt from such registration requirements. The offer and sale of the Units, the Common Shares and the Warrants is registered under the Act and the applicable state securities or Blue Sky laws or exempt from such registration requirements. Except as set forth in the Registration Statement and Prospectus, on the Effective Date and on the Closing Dates there will be no outstanding options or warrants for the purchase of, or other outstanding rights to purchase or acquire, Common Shares or securities convertible or exchangeable into Common Shares. No registered or beneficial holders of any of the Company's securities has any right, "demand", "piggyback" or otherwise, to have such securities registered under the Act. There are no shares of preferred stock of the Company outstanding. No former registered or beneficial holder of any security of the Company, including without limitation any previously issued preferred stock of the Company, and no registered or beneficial holder of any securities issued by each Predecessor, has any continuing rights, whether rights of appraisal or otherwise, in respect of any of such securities. No current registered or beneficial holder of any security of the Company has any right to receive, or in respect of, any other securities of the Company, including without limitation, the Securities.

(w) The issuance and sale of the Units, Shares and Warrants have been duly authorized and, upon delivery against payment therefor as contemplated by this Agreement, the Shares and Warrant Shares will be validly issued, fully paid and non-assessable, and the holders thereof will not be subject to personal liability solely by reason of being such holders. Neither the Shares nor the Warrant Shares are subject to pre-emptive rights of any shareholder of the Company.

(x) The issuance and sale of the Representative's Warrants has been duly authorized and when issued and delivered in accordance with the terms hereof and the Underwriter's Unit Warrant Agreement, shall constitute the valid and binding obligations of the Company enforceable in accordance with their terms. The issuance and sale of the Underlying Shares and Underlying Warrant Shares have been duly authorized and, when such Common Shares have been duly delivered against payment therefor as contemplated by the Underwriter's Unit Warrant Agreement, such Common Shares will be validly issued, fully paid and non-assessable, and will conform to the description thereof contained in the Registration Statement and the Prospectus. Holders of Underlying Shares and Underlying Warrant Shares issuable upon the exercise of the Representative's Warrants will not be subject to personal liability solely by reason of being such holders. Neither the Representative's Warrants nor the Underlying Shares or Underlying Warrant Shares issuable upon exercise thereof will be subject to pre-emptive rights of any shareholder of the Company. The Company has reserved a sufficient number of Common Shares from its authorized but unissued Common Shares for issuance upon exercise of the Representative's Warrants and the Underlying Warrants in accordance with the

provisions of the Underwriter's Unit Warrant Agreement and the Underlying Warrants.

(y) During the ninety (90) day period from the Effective Date (the "Lock-Up Period"), neither the Company nor any of its officers or directors will offer for sale or sell or otherwise dispose of, directly or indirectly, any securities of the Company, in any manner whatsoever, whether pursuant to Rule 144 of the Regulations or otherwise without the prior written consent of the Underwriters.

(z) Neither the Company nor, to the best of its knowledge, any officer, director or other agent of the Company has, acting on behalf of the Company, at any time (i) made any contributions to any candidate for political office in violation of law, or failed to disclose fully any such contributions in violation of law, (ii) made any payment to any state, Federal or foreign governmental officer or official, or any other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable law or (iii) made any payment of funds of the Company or received or retained any funds in violation of any law, rule or regulation and under circumstances requiring the disclosure of such payment, receipt or retention of funds in the Prospectus. The Company's internal accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the Foreign Corrupt Practices Act of 1977, as amended.

(aa) The Company is not an "Investment Company" or a company "controlled" by an "investment Company," within the meaning of the Investment Company Act of 1940, as amended.

(bb) The Company has adopted organizational structures and policies sufficient to comply with the requirements of the AMEX corporate governance rules in effect as of the date hereof (collectively, the "AMEX Corporate Governance Rules"). Without limiting the generality of the foregoing, the Company's Board of Directors has validly appointed a Finance and Audit Committee and a Compensation Committee whose composition satisfies the requirements of the AMEX Corporate Governance Rules. The Board of Directors and/or the Finance and Audit Committee or Compensation Committee, as the case may be, has adopted a charter governing the respective activities of the Finance and Audit and Compensation Committees that satisfies the requirements of the AMEX Corporate Governance Rules. The Finance and Audit Committee and the Compensation Committee have each acted in accordance with the provisions of their respective charters, as amended from time to time.

(cc) Neither the Board of Directors nor the Finance and Audit Committee has been informed, nor is any director of the Company aware, of (i) any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weakness in the Company's internal controls; or (ii) any fraud, whether or not material, that involves management or other employees of the Company who have a significant role in the Company's internal controls.

(dd) Each of the certifications made by the principal executive and principal financial officers of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted thereunder was correct in all material respects when made.

(ee) No securities of the Company have been sold by the Company or by or on behalf of, or for the benefit of any person or persons controlling, controlled by or under common control with the Company within the three years prior to the date hereof, except as disclosed in the Registration Statement.

(ff) The employment, consulting, confidentiality and non-competition agreements between the Company and its officers, employees and consultants which have been filed as exhibits to or described in the Registration Statement are binding and enforceable obligations upon the respective parties thereto in accordance with their terms, except to the extent enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally and to the extent that the remedy of specific performance and injunction or other forms of equitable relief may be subject to equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

(gg) Except as set forth in the Prospectus, the Company has no employee benefit plans (including, without limitation, profit sharing and welfare benefit plans) or deferred compensation arrangements that are subject to the provisions of the Employee Retirement Income Security Act of 1974.

(hh) There are no voting or other shareholder or similar agreements in effect between the Company (and/or any Predecessor) and any other person or entity or between or by and among any security holders of the Company (and/or any Predecessor).

(ii) The Company has filed a registration statement on Form 8-A with respect to its Units, Common Shares and Warrants under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act") and such registration statement has been declared effective by the SEC. The Company has filed an additional listing application with respect to the Units, Common Shares and Warrants with the AMEX and such listing application has been accepted by the AMEX.

(jj) The Units, Common Shares and Warrant Shares have been approved for listing on the AMEX and all applicable listing requirements for AMEX have been satisfied.

(kk) The Company is in material compliance with all federal, state, local, and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours. There are no pending investigations involving the Company, by the U.S. Department of Labor or any other governmental agency responsible for the enforcement of such federal, state, local, or foreign laws and regulations. There is no unfair labor practice charge or complaint against the Company pending before the National Labor Relations Board or any strike, picketing, boycott, dispute, slowdown or stoppage pending or, to the Company's best knowledge, threatened against or involving the Company or any predecessor entity, and none has ever occurred. No representation question exists respecting the employees of the Company, and no collective bargaining agreement or modification thereof is currently being negotiated by the

Company. No grievance or arbitration proceeding is pending under any expired or existing collective bargaining agreements of the Company. No labor dispute with the employees of the Company exists, or, is imminent.

(ll) The Preliminary Prospectus and the Prospectus delivered to the Underwriters for use in connection with the offering of the Units were identical to the versions of the Preliminary Prospectus and Prospectus filed with the Commission via the Commission's Electronic Data Gathering Analysis and Retrieval System, except to the extent permitted by Regulation S-T.

(mm) The Company has provided to Blank Rome LLP, counsel to Shemano ("Underwriters' Counsel"), all agreements, certificates, correspondence and other items, documents and information requested in the due diligence request list provided to the Company by Underwriters' Counsel.

(nn) Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect (i) the Company and its subsidiaries are in compliance with all federal, state, local, or foreign law or regulation relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum, and petroleum products (collectively, the "Materials of Environmental Concern"), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Materials of Environmental Concern (collectively, the "Environmental Laws"), which includes, but is not limited to, compliance with any permits or other governmental authorizations required for the operation of the business of the Company or its subsidiaries under applicable Environmental Laws, or compliance with the terms and conditions thereof, and neither the Company nor any of its subsidiaries has received any written communication, whether from a governmental authority, citizens group, employee, or otherwise, that alleges that the Company or any of its subsidiaries is in violation of any Environmental Law; (ii) there is no claim, action, or cause of action filed with a court or governmental authority, no investigation with respect to which the Company has received written notice, and no written notice by any person or entity alleging potential liability for investigatory costs, cleanup costs, governmental responses costs, natural resources damages, property damages, personal injuries, attorneys' fees, or penalties arising out of, based on or resulting from the presence, or release into the environment, of any Material of Environmental Concern at any location owned, leased or operated by the Company or any of its subsidiaries, now or in the past (collectively, the "Environmental Claims"), pending or threatened against the Company or any of its subsidiaries or any person or entity whose liability for any Environmental Claim the Company or any of its subsidiaries has retained or assumed either contractually or by operation of law; and (iii) there are no past or present actions, activities, circumstances, conditions, events, or incidents, including, without limitation, the release, emission, discharge, presence, or disposal of any Material of Environmental Concern, that could reasonably be expected to result in a violation of any Environmental Law or form the basis of a potential Environmental Claim against the Company or any of its subsidiaries or against any person or entity whose liability for any Environmental Claim the Company or any of its subsidiaries has retained or assumed either contractually or by operation of law. The Company is not currently aware that it will be required to make future material capital expenditures to comply with Environmental Laws.

(oo) The Company, its officers and directors are in compliance with (i) all applicable provisions of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated there under, and (ii) all listing standards and rules promulgated by the AMEX.

(pp) The Company is and has been doing business in material compliance with all authorizations, approvals, orders, licenses, certificates, franchises and permits and all federal, state, and local laws, rules and regulations; and the Company has not received any notice of proceedings relating to the revocation or modification of any such authorization, approval, order, license, certificate, franchise, or permit or relating to any noncompliance with any federal, state, or local laws, rules and regulations, which, singularly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could reasonably be expected to result in a Material Adverse Effect.

(qq) The Company has not relied upon the Underwriters or Underwriters' Counsel for any legal, tax or accounting advice in connection with the offering and sale of the Units other than with respect to the NASD.

(rr) Any certificate signed by an officer of the Company in his capacity as such and delivered to the Underwriters or Underwriters' Counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

(ss) The Company's listing of its securities on the Berlin Stock Exchange does not conflict with any AMEX rules or regulations.

(tt) Upon trading of the Units on the AMEX, the Company's securities will no longer be listed on the OTCBB.

2. Purchase, Delivery and Sale of the Offered Units and the Representative's Warrants .

(a) Subject to the terms and conditions of this Agreement, and on the basis of the representations, warranties, and agreements herein contained, the Company hereby agrees to sell the Offered Units to the Underwriters, and the Underwriters hereby agree to purchase the Offered Units from the Company at a purchase price of $6.00 per Offered Unit, less an underwriting discount of 7.5% of the offering price of each Offered Unit sold by the Underwriters. On the First Closing Date, as hereinafter defined, except to the extent uncertificated Offered Units are delivered, certificates representing the Offered Units will be delivered by the Company to the Underwriters (by physical delivery), or, if requested by the Representative, an electronic "fast" transfer of the Offered Units from the Company's Transfer Agent (as defined herein) to Depository Trust Company ("DTC") will be made against payment of the purchase price by the Underwriters by wire transfer in New York Clearing House funds, payable to the order of the Company. Delivery of the Offered Units (either by regular way or a fast transfer) against payment therefor shall take place at the offices of Shemano, at 10:00 a.m., local New York Time, on the third business day following the Effective Date (the fourth business day following the Effective Date in the event that trading of the Offered Units commences on the day following the Effective Date) or at such other location, time and date as the Underwriters and the Company may agree

in writing, such time and date of payment and delivery for the Offered Units being herein called the "First Closing Date."

(b) Subject to the terms and conditions of this Agreement, and on the basis of the representations, warranties and agreements contained herein, for the purposes of covering any over allotments in connection with the distribution and sale of the Offered Units as contemplated by the Prospectus, the Underwriters are hereby granted an option to purchase all or any portion of the Optional Units from the Company. The purchase price to be paid for the Optional Units will be the same price per Optional Unit as the price per Offered Unit set forth in Section 2(a) hereof, less the 7.5% underwriting discount. The option granted hereby may be exercised by the Underwriters as to all or any portion of the Optional Units at any time within 45 days after the Effective Date. The Underwriters will not be under any obligation to purchase any Optional Units prior to the exercise of such option.

The option granted hereby may be exercised by the Underwriters by giving oral notice to the Company, which must be confirmed by a letter or facsimile setting forth the number of Optional Units to be purchased, the date and time for delivery of and payment for the Optional Units to be purchased and stating that the Optional Units referred to therein are to be used for the purpose of covering over-allotments in connection with the distribution and sale of the Offered Units. If such notice is given prior to the First Closing Date, the date set forth therein for such delivery and payment will not be earlier than either two full business days thereafter or the First Closing Date, whichever occurs later. If such notice is given on or after the First Closing Date, the date set forth therein for such delivery and payment will not be earlier than two full business days thereafter. In either event, the date so set forth will not be more than 15 full business days after the date of such notice. The date and time set forth in such notice is herein called the "Option Closing Date." Upon exercise of such option, through the Underwriters' delivery of the aforementioned notice, the Company will become obligated to convey to the Underwriters, and, subject to the terms and conditions set forth in this Section 2(b) hereof, the Underwriters will become obligated to purchase, the number of Optional Units specified in such notice.

Payment for any Optional Units purchased will be made to the Company by wire transfer payable to its order in New York Clearing House funds, and delivery of the Optional Units (either by regular way or a fast transfer) against payment therefor shall take place at the offices of Shemano, at 10:00 a.m., local New York Time, on the Option Closing Date.

The obligation of the Underwriters to purchase and pay for any of the Optional Units is subject to (i) the accuracy and completeness of and compliance in all material respects with the representations and warranties of the Company contained herein (as of the date hereof and as of the Option Closing Date), (ii) the accuracy and completeness of the statements of the Company or its officers made in any certificate or other document to be delivered by the Company pursuant to this Agreement, (iii) the performance in all material respects by the Company of its obligations hereunder, to the satisfaction by the Company of the conditions, as of the date hereof and as of the Option Closing Date, set forth in this Section 2(b), and (iv) to the delivery to the Underwriters of opinions, certificates and letters dated the Option Closing Date substantially similar in scope to those specified in Section 8 hereof, but with each reference to "Offered Units" and "First Closing Date" to be, respectively, to the Optional Units and the Option Closing Date.

(c) Unless uncertificated Units are delivered, the Company will make the certificates for the Units to be purchased by the Underwriters hereunder available to the Underwriters for inspection, checking and packaging at the office of the Company's transfer agent or correspondent in Las Vegas, Pacific Stock Transfer Company, 500 E. Warm Springs Road, Ste. 240, Las Vegas, Nevada 89119, or at such location as may be specified by the Representative, not less than two full business day prior to the First Closing Date and the Option Closing Date, as the case may be (both of which are collectively referred to herein as the "Closing Dates"). Except to the extent uncertificated Units are delivered, the certificates representing the Units shall be in such names and denominations as the Underwriters or DTC may request at least two full business days prior to the respective Closing Dates. In the event that the Underwriters determine to utilize the DTC, the parties will use their best efforts to make the offering of the Units, the Common Shares and the Warrants DTC eligible and to comply with the procedures thereof.

(d) On the First Closing Date, the Company will sell the Representative's Warrants to Shemano or to Shemano's designees, limited to officers and partners of the Shemano, members of the selling group and/or their officers or partners (collectively, the "Representative's Designees") for an aggregate purchase price of One Hundred Dollars ($100.00). The Representative's Warrants shall represent an option to purchase up to an aggregate of One Hundred Thirty-Five Thousand (135,000) Underlying Units at an exercise price of $7.20 per Unit (subject to adjustment in certain circumstances). The Representative's Warrants will be restricted from sale, transfer, assignment or hypothecation, pursuant to NASD Corporate Finance Rule 2710, for a period of one (1) year from the Effective Date, except to the Representative's Designees. The Representative's Warrants shall be in the form of, and in accordance with, the provisions of the Form of Underwriter's Warrant attached as an exhibit to the Registration Statement. Payment for the Representative's Warrants will be made to the Company by check or checks payable to its order on the First Closing Date against delivery of the certificates representing the Underlying Units. The certificates representing the Underlying Units will be in such denominations and such names as Shemano may request prior to the First Closing Date.

The information set forth on the cover page concerning the Underwriters and under the caption "Underwriting" or otherwise specifically relating to the Underwriters in any Preliminary Prospectus or in the final Prospectus relating to the Units proposed to be filed by the Company (insofar as such information relates to the Underwriters) as heretofore filed and as presently proposed to be amended constitutes the only information furnished by the Underwriters to the Company for inclusion therein, and each of the Underwriters represent and warrant to the Company that the statements made therein are correct and do not include any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Public Offering by Underwriters. The Underwriters agree to cause the Units to be offered to the public initially at the price and under the terms set forth in the Prospectus as soon as, on or after the effective date of this Agreement, the Underwriters deem advisable, but no more than five (5) full business days after such effective date. Shemano, as lead underwriter, shall have the right, but not the obligation,

to form a syndicate of co-underwriters and/or selected dealers who will assist it in the offering and Shemano may allow such concessions and discounts upon sales to other dealers as set forth in the Prospectus. Shemano agrees to notify the Company in writing when the offering is first made and when it is completed. After the First Closing Date, the public offering price, the concessions and the reallowance may be changed by Shemano.

4. Certain Covenants of the Company. The Company covenants and agrees with the Underwriters as follows:

(a) The Company will use its best efforts to cause the Registration Statement to become effective as promptly as possible, and will not at any time, whether before or after the Effective Date, file any amendment or supplement to the Registration Statement, that: (i) has not been previously submitted to (at a reasonable time prior to the proposed filing thereof), and approved by, the Underwriters or Underwriters' Counsel, such approval to be at the Underwriters or Underwriters' Counsel's sole discretion on or prior to the Closing Date, and such approval not to be unreasonably withheld after the Closing Date, (ii) the Underwriters or Underwriters' Counsel shall have reasonably objected to in writing as not being in compliance with the Act or the Rules and Regulations or (iii) is not in compliance with the Act or the Rules and Regulations.

(b) The Company will notify the Underwriters of: (i) the effectiveness of the Registration Statement or any amendment or supplement thereto promptly after the Company shall have received notice thereof, (ii) the receipt of any comments of the Commission with respect thereto, (iii) the effectiveness of the Registration Statement or any post-effective amendment thereto incorporating such Commission comments promptly after the Company shall have received notice thereof or (iv) the filing of any supplement to the Prospectus.

(c) The Company will advise the Underwriters promptly of any request of the Commission for an amendment or supplement to the Registration Statement or the Prospectus, or for any additional information, or of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or of any judgment, order, injunction or decree preventing or suspending the use of any Preliminary Prospectus or the Prospectus, or of the institution of any proceedings for any of such purposes, of which it has knowledge, and will use its best efforts to prevent the issuance of any stop order, and, if issued, to obtain as promptly as possible the lifting thereof.

(d) If at any time when a Prospectus relating to the Securities is required to be delivered under the Act, any event shall have occurred as a result of which, in the opinion of Company Counsel or Underwriters' Counsel, the Prospectus, as then amended or supplemented, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Act, the Company will notify the Underwriters promptly and prepare and file with the Commission an appropriate amendment or supplement in accordance with Section 10 of the Act, each such amendment or supplement to be satisfactory to Underwriters' Counsel in its sole discretion on or prior to the Closing Date (or after the Closing Date, shall be reasonably satisfactory to Underwriters' Counsel), and the Company will furnish to the Underwriters copies of such amendment or supplement as soon as available and in such quantities as the Underwriters may reasonably request.

(e) Within the time during which the Prospectus is required to be delivered under the Act, or pursuant to the undertakings of the Company in the Registration Statement, the Company will comply, at its own expense, with all requirements imposed upon it by the Act, the Rules and Regulations, the 1934 Act or the rules and regulations of the Commission promulgated under the 1934 Act, each as now or hereafter amended or supplemented, and by any order of the Commission so far as necessary to permit the continuance of sales of, or dealings in, the Units, Shares and Warrants.

(f) The Company will furnish to the Underwriters, without charge, a signed copy of the Registration Statement and of any amendment or supplement thereto which has been filed prior to the date of this Agreement, together with one (1) copy of each exhibit filed therewith, and one (1) conformed copy of such Registration Statement and as many amendments thereto (unsigned and exclusive of exhibits) as the Underwriters may reasonably request. The signed copies of the Registration Statement so furnished to the Underwriters will include signed copies of any and all consents and reports of the independent public auditors as to the financial statements included in the Registration Statement and Prospectus, and signed copies of any and all consents and certificates of any other person whose profession gives authority to statements made by them and who are named in the Registration Statement or Prospectus as having prepared, certified or reviewed any parts thereof.

(g) The Company will deliver to the Underwriters, without charge, (i) prior to the Effective Date, copies of each Preliminary Prospectus filed with the Commission; (ii) on and from time to time after the Effective Date, copies of the Prospectus; and (iii) as soon as they are available, and from time to time thereafter, copies of each amended or supplemented Prospectus, and the number of copies to be delivered in each such case will be such as the Underwriters may reasonably request. The Company has consented and hereby consents to the use of each Preliminary Prospectus for the purposes permitted by the Act and the Rules and Regulations. The Company authorizes the Underwriters and dealers to use the Prospectus in connection with the sale of the Units, Shares and Warrants, for such period, as, in the opinion of Underwriters' Counsel, delivery of the Prospectus is required to comply with the applicable provisions of the Act and the Rules and Regulations.

(h) The Company will take such action as may be necessary to qualify the Units, Shares and Warrants for offer and sale under the blue sky or securities laws of such states or other jurisdictions as is required and as the Underwriters or Underwriters' Counsel may designate (provided that such states or jurisdictions do not require the Company to qualify as a foreign corporation or to file a general consent to service of process) and to continue such qualifications in effect so long as may be required for the purposes of the distribution of the Units, Shares and Warrants. In each state or jurisdiction where the Company shall qualify the Units, Shares and Warrants as above provided, the Company will prepare and file such statements or reports as may be required by the laws of such state or jurisdiction, and the Underwriters shall, upon the written request of the Company, supply the Company with all information known to the Underwriters and required to be

included in such statements or reports.

(i) The Company has caused each officer and director to furnish to the Underwriters, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters ("Lockup Agreements"), pursuant to which each such person has agreed not to offer for sale or sell or otherwise dispose of, directly or indirectly, any securities of the Company, in any manner whatsoever, whether pursuant to Rule 144 of the Regulations or otherwise without the prior written consent of the Underwriters for a period of ninety days after the date of this Agreement, except with the prior written consent of the Underwriters.

(j) During the period of two years from the Effective Date, the Company, at its expense, shall (i) authorize its Transfer Agent to furnish quarterly shareholder and warrant holder lists to the Underwriters; and (viii) authorize DTC to furnish weekly reports to the Underwriters.

(k) For a period of three (3) years from the First Closing Date, the Company shall retain a reputable independent public accounting firm that routinely represents public companies as the Company's independent public accountants, and such independent public accounting firm shall be a registered public accounting firm as such term is defined within the Act and the Rules and Regulations. For a period of five years from the First Closing Date, the Company shall promptly submit to the Underwriters copies of all accountants' management reports and similar correspondence between the Company and its independent public accountants.

(l) For a period of five (5) years from the First Closing Date, the Company, at its expense, shall cause its then independent certified public accountants, as described in Section 4(k) above, to review (but not audit) the Company's financial statements for each of the first three fiscal quarters prior to the announcement of quarterly financial information, the filing of the Company's 10-Q (or 10-QSB) quarterly report (or other equivalent report) and the mailing of quarterly financial information to shareholders.

(m) As soon as practicable, but in any event not later than 45 days after the end of the 12-month period beginning on the day after the end of the fiscal quarter of the Company during which the effective date of the Registration Statement occurs (90 days in the event that the end of such fiscal quarter is the end of the Company's fiscal year), the Company will make generally available to its securityholders in accordance with Section 11 (a) of the Act an earnings statement of the Company meeting the requirements of Rule 158(a) under the Act covering a period of at least 12 months beginning after the Effective Date, and advise the Underwriters that such statement has been so made available.

(n) The Company will use the net proceeds ("Proceeds") it realizes from the sale of the Units as set forth under the caption "Use of Proceeds" in the Prospectus. Except as set forth in the Prospectus, no portion of Proceeds will be used to repay any indebtedness. Any significant change in the use of Proceeds listed in the table under the caption "Use of Proceeds" in the Prospectus must be approved in advance by the Company's Board of Directors. The Company shall provide on a quarterly basis for a period of two years from the Effective Date a report from its Chief Financial Officer, which report shall indicate the use of the Proceeds for such quarterly period.

(o) The Company, on the First Closing Date, will sell to Shemano the Representative's Warrants (to be divided in such amounts as determined by the Shemano) according to the terms specified in Section 2(d) hereof. The Company has reserved and shall continue to reserve a sufficient number of Common Shares for issuance upon exercise of the Representative's Warrants and the Underlying Warrants.

(p) For a period of two (2) years from the Effective Date, the Company agrees that it will maintain insurance in full force and effect of the types and in the amounts which are customary for similarly situated companies, including but not limited to, personal injury and product liability insurance and insurance covering all personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism, acts of terrorism, acts of war and all other risks customarily insured against.

(q) During the course of the distribution of the Units, Shares and Warrants, the Company will not take, directly or indirectly, any action designed to or which might, in the future, reasonably be expected to cause or result in stabilization or manipulation of the price of the Units, the Shares or the Warrants. During this so-called "quiet period," in which delivery of a Prospectus is required, if applicable, the Company will not issue press releases or engage in any other publicity without giving the Underwriters prior written notice thereof.

(r) The Company will use its best efforts, at its cost and expense, to take all necessary and appropriate action to maintain the listing of the Units, Common Shares, Warrants and Warrant Shares on the AMEX for at least five years after the Effective Date.

(s) If necessary to obtain a secondary trading exemption from state securities laws, the Company shall, on or prior to the Effective Date, register with Standard & Poor's Corporation Records Service (including annual report information) or Moody's Industrial Manual (Moody's OTC Industrial Manual not being sufficient for these purposes), and shall use its best efforts to have the Company listed in such Records Service or such Manual and shall maintain such listing for a period of five (5) years from the Effective Date.

(t) The Company has filed with the Commission a registration statement on Form 8-A and will, concurrently with the Effective Date, register the classes of equity securities of which the Units, Shares and Warrants are a part under Section 12(b) or 12(g) of the 1934 Act. The Company will maintain such registration under the 1934 Act for a minimum of five (5) years from the Effective Date.

(u) On the Closing Dates, all transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Units, Shares and Warrants will have been fully paid by the Company and all laws imposing such taxes will have been fully complied with.

(v) For a period of one year commencing on the Effecting Date, except with the prior written consent of the Underwriters, the Company will not (x) issue or sell, directly or indirectly, any shares of its capital stock at a price less than ten dollars ($10.00) per share, subject to adjustment for recapitalizations (including stock splits, dividends and similar transactions) duly approved by the Board of Directors

of the Company, or (y) sell or grant options, or warrants or rights to purchase any shares of its capital stock, except as approved by the Company's Board of Directors and shareholders as required, and except in the case of (x) and (y) above, pursuant to (i) this Agreement, (ii) the Warrant Agreement, (iii) the Underwriter's Unit Warrant Agreement, (iv) warrants and options of the Company heretofore issued and described in the Prospectus and (v) or pursuant to any options or warrants issuable to employees, officers or directors of the Company which are duly approved by the Company's Board of Directors and/or its shareholders as required by the AMEX or otherwise required by law.

(w) Except as set forth in subsection (v) above, the Company will not file any Registration Statement relating to the offer or sale of any of the Company's securities, including any Registration Statement on Form S-8, during the one-year period following the Effective Date without Underwriters' prior written consent.

(x) The Company shall retain a transfer agent for the Units, Shares, and Warrants reasonably acceptable to the Underwriters, for a period of three (3) years from the Effective Date, and will not, during such period change its transfer agent without the prior written consent of the Underwriters, which shall not be unreasonably withheld.

(y) For the period of one year following the Effective Date, the Company shall not redeem any of its securities, and shall not pay any dividends or make any other cash distribution in respect of its securities in excess of the amount of the Company's current or retained earnings derived after the Effective Date without obtaining the Underwriters' prior written consent. The Underwriters shall either approve or disapprove such contemplated redemption of securities or dividend payment or distribution within five (5) business days from the date it receives written notice of the Company's proposal with respect thereto; a failure of the Underwriters to respond within the five (5) business day period shall be deemed approval of the transaction.

(z) The Company will not, for the period ending November 5, 2005, increase or authorize an increase in the compensation of its four most highly paid employees greater than those increases provided for in their employment agreements with the Company in effect as of the Effective Date and disclosed in the Registration Statement, without the prior written consent of the Underwriters, provided such consent shall not be required for any bonus or stock award to such employee that is approved in advance by the Compensation Committee of the Board of Directors of the Company.

(aa) Subsequent to the dates as of which information is given in the Registration Statement and Prospectus and prior to the Closing Dates, except as disclosed in or contemplated by the Registration Statement and Prospectus, (i) the Company will not have incurred any liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business; (ii) there shall not have been any change in the capital stock, funded debt (other than regular repayments of principal and interest on existing indebtedness) or other securities of the Company, which could reasonably be expected to result in a Material Adverse Effect; and (iii) the Company shall not have paid or declared any dividend or other distribution on its Common Shares or its other securities or redeemed or repurchased any of its Common Shares or other securities.

(bb) The Company maintains and will continue to maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(cc) For a period of five (5) years from the First Closing Date, management of the Company shall provide the Board of Directors, on an annual basis, with an internal budget for the next fiscal year, which budget must be approved by the Board of Directors.

(dd) No Proceeds from the sale of the Units, Shares and Warrants will be used to pay outstanding loans from officers, directors or shareholders or to pay any accrued salaries or bonuses to any current or former employees or consultants or any affiliates thereof or to pay off any other outstanding debt other than current trade payables which arose in the ordinary course of business.

(ee) The Company agrees that for so long as the Common Shares are registered under the 1934 Act, the Company will hold an annual meeting of shareholders for the election of directors and will provide the Company's shareholders with the audited financial statements of the Company as of the end of the fiscal year just completed prior thereto. Such financial statements shall be those required by applicable rules under the 1934 Act and shall be included in an annual report pursuant to the requirements thereof.

(ff) For a period of eighteen (18) months from the Effective Date, the Company will not offer or sell any of its securities (i) pursuant to Regulation S, or similar regulation governing offshore securities distributions, promulgated under the Act or (ii) at a discount to market or in a discounted transaction, other than a firm commitment underwriting, without the prior written consent of the Underwriters, other than the issuance of Common Shares upon exercise of options and warrants outstanding on the First Closing Date and described in the Prospectus.

(gg) The Units, Common Shares and Warrants shall, at all times since the effective time of this Agreement through the applicable Closing Date, been trading on AMEX and AMEX shall have not notified the Company in writing or otherwise of any deficiency in respect of the Company's continued listing of Units, Common Shares and Warrants.

(hh) The Company will take all necessary actions to effectuate the separation of the Units as determined by the Representative in accordance with the terms of this Agreement.

(ii) The Company shall immediately take all actions to de-list the Company's securities on the Berlin Stock Exchange after the date hereof.

5. Indemnification.

(a) The Company agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls either of the Underwriters within the meaning of the Act (each an "Underwriter Indemnified Party") against any losses, claims, damages, expenses or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and all reasonable attorney's fees), to which the Underwriters or any Underwriter Indemnified Party may become subject, under the Act or otherwise, but only as to such losses, claims, damages, expenses or liabilities (or any actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendments or supplements thereto, or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company will not be liable in any such case (i) to the extent that any such loss, claim, damages, expense or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto, in reliance upon, and in conformity with, written information furnished to the Company by the Underwriters specifically for use in the preparation thereof; (ii) if the Underwriters failed to deliver a Prospectus to the claimant seeking damages from the Company or (iii) if a material misstatement or omission was corrected by the Company in an amended or supplemented Prospectus that was provided to the Underwriters and the Underwriters failed to deliver such amended or supplemented Prospectus to the claimant seeking damages from the Company. The information set forth on the cover page concerning the Underwriters and under the caption "Underwriting" or otherwise specifically relating to the Underwriters in the Registration Statement shall be deemed to have been furnished to the Company by the Underwriters for purposes hereof. This indemnity will be in addition to any liability that the Company may otherwise have.

(b) Each of the Underwriters, severally and not jointly, agrees that it will indemnify and hold harmless the Company, each of its directors, each nominee (if any) for director named in the Prospectus, each of its officers who has signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act (each a "Company Indemnified Party"), against any losses, claims, damages, expenses or liabilities, joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorney's fees), to which the Company or any Company Indemnified Party may become subject under the Act or otherwise, but only as to such losses, claims, damages, expenses or liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus or the Prospectus or any amendments or supplements thereto, or that arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only (i) to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus or the Prospectus or such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Underwriter specifically for use in the preparation thereof; (ii) to the extent that any such loss, claim, damages, expense or liability arises out of or was caused by the Underwriters' failure to deliver a Prospectus to the claimant seeking damages from the Company; or (iii) to the extent that any such loss, claim, damages, expense or liability arises out of or was based on a material misstatement or omission that was corrected by the Company in an amended or supplemented Prospectus provided to the Underwriters and the Underwriters failed to deliver such amended or supplemented Prospectus to the claimant seeking damages from the Company; provided, however, that the obligation of such Underwriter to indemnify the Company or any Company Indemnified Party shall be limited in amount to the net proceeds received by the Company from such Underwriter. The information set forth on the cover page concerning the Underwriters and under the caption "Underwriting" or otherwise specifically relating to the Underwriters in the Registration Statement shall be deemed to have been furnished to the Company by the Underwriters for purposes hereof. This indemnity will be in addition to any liability that the Underwriters may otherwise have.

(c) Promptly after receipt by the Underwriters, any Underwriter Indemnified Party, the Company or any Company Indemnified Party (each an "Indemnified Party") under this Section 5 of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any Indemnified Party otherwise than solely pursuant to this Section 5. In case any such action is brought against any Indemnified Party, who notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may choose, jointly with any other indemnifying party similarly notified, reasonably assume the defense thereof. Subject to the provisions herein stated and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party under this Section 5 for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, unless the indemnifying party shall have a default judgment entered against it or shall settle such action without the consent of the Indemnified Party. The Indemnified Party shall have the right to employ one separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Party; provided that the fees and expenses of such counsel shall be at the expense of the indemnifying party if (i) the employment of such counsel has been specifically authorized in writing by the indemnifying party, (ii) the named parties to such action (including any impleaded parties) include both the indemnified and the indemnifying party and the Indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to the indemnifying party different from or in conflict with any legal defenses which may be available to the Indemnified Party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the Indemnified Party, it being understood, however, that the indemnifying party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable only for the reasonable fees and expenses of one separate firm of attorneys for the Indemnified Party, which firm shall be designated in writing by the Indemnified Party), or (iii) the professional competence of the counsel to be employed by the indemnifying party is not reasonably acceptable to the Indemnified Party. No settlement of any action against an Indemnified Party shall be made without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld. The indemnifying party

shall not be liable to indemnify the Indemnified Party for any settlement of any action effected without the indemnifying party's prior written consent to any such settlement, which consent shall not be unreasonably withheld.

6. Contribution. In order to provide for just and equitable contribution under the Act in any case in which (i) the Underwriters make a claim for indemnification pursuant to Section 5 hereof but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 5 provide for indemnification in such case, or (ii) contribution under the Act may be required on the part of the Underwriters, then the Company and the Underwriters shall contribute to the aggregate losses, claims, damages, expenses or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and all reasonable attorneys' fees) in either such case (after contribution from others) in such proportions such that the Underwriters shall be responsible in the aggregate for that portion of such losses, claims, damages, expenses or liabilities determined by multiplying the total amount of such losses, claims, damages, expenses or liabilities by the difference between the public offering price of the Units and the purchase price of the Units to such Underwriters and dividing the product by the public offering price of the Units, and the Company shall be responsible for that portion of such losses, claims, damages or liabilities determined by multiplying the total amount of such losses, claims, damages or liabilities by the purchase price of the Units to the Underwriters and dividing the product thereof by the public offering price of the Units. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. The foregoing contribution agreement shall in no way affect the contribution liabilities of any persons having liability under Section 11 of the Act other than the Company and the Underwriters. As used in this Section 6, the term "Underwriters" includes any person who controls either of the Underwriters within the meaning of Section 15 of the Act. If the full amount of the contribution specified in this Section 6 is not permitted by law, then the Underwriters shall be entitled to contribution from the Company, its officers, directors and controlling persons to the fullest extent permitted by law. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect to which a claim for contribution may be made against another party or parties under this Section 6, notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have hereunder or otherwise than under this Section 6, or to the extent that such party or parties were not adversely affected by such omission. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may have at common law or otherwise.

7. Survival of Agreements etc. All statements contained in any schedule, exhibit or other instrument delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated by this Agreement, shall be deemed to be representations and warranties hereunder. Notwithstanding any investigations made by or on behalf of the parties to this Agreement, all representations, warranties, indemnities and agreements made by the parties to this Agreement or pursuant hereto shall remain in full force and effect and will survive delivery of and the payment for the Units, Shares and Warrants, for a period of two years from the date hereof, except that, if a party hereto has actual knowledge at the time of the Closing Dates of facts which would constitute a breach of the representations and warranties contained herein, such breaches shall be waived by such party if such party consummates the transactions contemplated by this Agreement. If the Company fails to perform any of its obligations hereunder, the Underwriters shall have the right to compel specific performance.

8. Conditions of Underwriters' Obligations. The obligations of the Underwriters hereunder will be subject (as of the date of this Agreement and as of the Closing Dates) to the accuracy of and compliance in all material respects with the representations, warranties and agreements of the Company herein, to the accuracy of the written statements of the Company or its officers made pursuant hereto, to the performance in all material respects by the Company of its obligation hereunder, and to the following additional conditions:

(a) (i) The Registration Statement shall have become effective not later than 10:00 a.m., New York City time, on the date following execution of this Agreement, or at such later time or on such later date as shall be consented to in writing by the Underwriters; (ii) prior to the Closing Dates no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or be pending or, to the knowledge of the Company or the Underwriters, contemplated or threatened by the Commission; (iii) any request by the Commission for additional information to be included in the Registration Statement or the Prospectus or otherwise shall have been complied with to the satisfaction of Underwriters' Counsel, and (iv) qualification under the securities laws of such states as the Underwriters may designate of the issue and sale of the Units upon the terms and conditions herein set forth or contemplated shall have been secured to the extent not exempt from qualification under The National Securities Markets Improvement Act of 1996; and (v) no stop order shall be in effect denying or suspending effectiveness of such qualifications, nor shall any stop order proceedings with respect thereto be instituted or pending or threatened under such laws. If the Company has elected to rely upon Rule 430A of the Rules and Regulations, the price of the Shares and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the Rules and Regulations within the prescribed time period, and prior to the First Closing Date the Company shall have provided evidence satisfactory to the Underwriters of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A of the Rules and Regulations.

(b) No amendment or supplement to the Registration Statement, any Preliminary Prospectus or the Prospectus, which the Underwriters or counsel to the Underwriters shall have objected to or which was not in compliance with the Act or the Rules and Regulations, shall have been filed.

(c) The Underwriters shall not have discovered and disclosed to the Company, prior to the respective Closing Dates, that the Registration Statement or the Prospectus, or any amendments or supplements thereto, contains an untrue statement of fact which, in the reasonable opinion of Underwriters' Counsel, is material, or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(d) The Underwriters shall have received from Kostin, Ruffkess & Company, LLC, two signed certificates or letters, one

dated and delivered on the Effective Date and one dated and delivered on the First Closing Date, in form and substance satisfactory to the Underwriters, stating that:

(i) they are independent certified public accountants with respect to the Company within the meaning of the Act and the Rules and Regulations, and no disclosure under Item 13 of the Registration Statement is required insofar as it relates to them;

(ii) the financial statements included in the Registration Statement and the Prospectus were examined by them and, in their opinion, comply as to form in all material respects with the applicable requirements of the Act, the Rules and Regulations and instructions of the Commission with respect to Registration Statements on Form SB-2 and that the Underwriters may rely upon the opinion of such firm with respect to the financial statements and supporting schedules included in the Registration Statement;

(iii) on the basis of inquiries and procedures conducted by them (not constituting an examination in accordance with generally accepted auditing standards), including a reading of the latest available unaudited interim financial statements or other financial information of the Company (with an indication of the date of the latest available unaudited interim financial statements), inquiries of officers of the Company who have responsibility for financial and accounting matters, reviews of minutes of all meetings of the shareholders, the Board of Directors and any committees of the Board of Directors of the Company, as set forth in the minute books of the Company, and other specified inquiries and procedures, nothing has come to their attention as a result of the foregoing inquiries and procedures that causes them to believe that:

(A) during the period from the date of the latest financial statements of the Company appearing in the Registration Statement and Prospectus to a specified date not more than three business days prior to the date of such letter, there has been any decreases in net current assets or any net assets change in the Common Shares or other securities of the Company (except as specifically disclosed in such certificates or letters), any decreases in shareholders' equity or working capital or any increases in net current liabilities, net liabilities or long-term debt in each case as compared with amounts shown in such financial statements; and any decrease in revenues or in the total or per share amounts of income before extraordinary items or net income or loss, or any other material change in each case as compared with the corresponding period in the preceding year or any change in the capitalization or long-term debt of the Company, except in each case for increases, changes or decreases which the Prospectus discloses have occurred or will or may occur.

(B) the unaudited interim financial statements of the Company, if any, appearing in the Registration Statement and the Prospectus, do not comply as to form in all material respects with the applicable accounting requirements of the Act and the Regulations or are not fairly presented in conformity with generally accepted accounting principles and practices on a basis substantially consistent with the audited financial statements included in the Registration Statement or the Prospectus;

(iv) On the basis of certain procedures specified by the Underwriters and described in their letter, they have compared specific dollar amounts, numbers of shares, percentages of revenue and earnings and other information (to the extent they are contained in or derived from the accounting records of the Company, and excluding any questions of legal interpretations) included in the Registration Statement and Prospectus with the accounting records and other appropriate data of the Company and have found them to be in agreement.

If the letter from Kostin, Ruffkess & Company, LLC shall disclose any change in the condition (financial or otherwise), earnings, operations, business, or business prospects of the Company from that set forth in the Registration Statement or Prospectus, which, in the sole judgment of the Underwriters, is material and adverse and that makes it, in the sole judgment of the Underwriters, impracticable or inadvisable to proceed with the public offering of the Units as contemplated by the Prospectus, then this condition in this Section 8(d) shall be deemed not satisfied, and the Underwriters may terminate this Agreement in accordance with the termination provisions set forth in Section 10 hereof.

(e) At the time this Agreement is executed and at each of the Closing Dates, the Underwriters shall have received from Tobin, Carberry, O'Malley, Riley & Selinger, PC, counsel for the Company ("Company Counsel"), a signed opinion, dated as of the date hereof or the Closing Date, as applicable, in the form of Exhibit A attached hereto ("Form of Legal Opinion of Company Counsel").

(f) At the time this Agreement is executed and at each of the Closing Dates, the Underwriters shall have received from David A. Tamburro, intellectual property counsel for the Company ("Company IP Counsel"), a signed opinion, reasonably satisfactory to the Underwriters' Counsel, dated as of the date hereof or the Closing Date, as applicable, the form of which is attached hereto as Exhibit B ("Form of Legal Opinion of Company IP Counsel").

(g) The Underwriters shall have received a certificate, dated and delivered as of the date of the First Closing Date, of the Chief Executive Officer and Secretary of the Company certifying that:

(i) The Company and such officers have complied with all the agreements and satisfied all the conditions on their respective part to be performed or satisfied hereunder at or prior to such date, including but not limited to the agreements and covenants of the Company set forth in Section hereof.

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending or, to the Company's knowledge, contemplated or threatened under the Act.

(iii) Such officers have carefully examined the Registration Statement and the Prospectus and any supplement or amendment thereto, each of which contains all statements required to be stated therein or necessary to make the statements therein not misleading and does not contain any untrue statement of a material fact, and since the Effective Date there has occurred no event required to be set forth in the amended or supplemented Prospectus which has not been set forth.

(iv) As of the date of such certificate, the representations and warranties contained in Section 1 hereof are true and correct as if such representations and warranties were made in their entirety on the date of such certificate, and the Company has complied with all its agreements and obligations herein contained as of the date thereof.

(v) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus, and except as contemplated in the Prospectus, the Company has not incurred any material liabilities or obligations, direct or contingent (other than in the ordinary course of business), or entered into any material transactions and there has not been any change in the Common Shares or funded debt of the Company or any Material Adverse Effect, except for such changes as are contemplated by, or disclosed in the Prospectus.

(vi) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, the Company shall have not sustained any material loss of or damage to its properties, whether or not insured, and since such respective dates, no dividends or distributions whatever shall have been declared or paid, or both, on or with respect to any security (except interest in respect of loans) of the Company.

(vii) Neither the Company nor any of its officers or affiliates shall have taken, and the Company, its officers and affiliates will not take, directly or indirectly, any action designed to, or which might reasonably be expected to, cause or result in the stabilization or manipulation of the price of the Company's securities to facilitate the sale or resale of the Units, Shares or Warrants.

(viii) No action, suit or proceeding, at law or in equity, which could reasonably be expected to (A) result in the imposition of damages or penalties against, or payments by, the Company in excess of $50,000 or (B) adversely affect the operation of the Company's business shall be pending or, to the knowledge of such officers, threatened against the Company, or affecting any of its properties, before or by any commission, board or other administrative agency, except as otherwise set forth in the Registration Statement.

(ix) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, the Company shall not have lost any governmental approval or strategic alliance relationship or been advised that it may lose any such governmental approval or strategic alliance relationship.

(x) The Company, its officers and directors are incompliance with (i) all applicable provisions of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder, and (ii) all listing standards and rules promulgated by the AMEX.

(h) On the First Closing Date, the Company shall not be a party to, or be involved in, any arbitration, litigation (except as set forth in the Registration Statement) or governmental proceeding, which is then pending, or, to the knowledge of the Company, threatened, of a character which might result in a Material Adverse Effect or be required to be disclosed in the Registration Statement.

(i) Subsequent to the respective date as of which information is given in the Registration Statement and the Prospectus, the Company shall not have sustained any loss on account of fire, flood, accident, or other calamity, whether or not covered by insurance, and no other event has occurred, which, in the sole judgment of the Underwriters results in a Material Adverse Effect.

(j) All of the certificates representing the Units (or Shares and Warrants if delivered on the Option Closing Date) shall have been tendered for delivery in accordance with the terms and provisions of this Agreement.

(k) At each of the Closing Dates, (i) the representations and warranties of the Company contained in this Agreement shall be true and correct with the same effect as if made on and as of the Closing Dates and the Company shall have performed, in all material respects, all its obligations due to be performed prior thereto; (ii) the Registration Statement and the Prospectus and any amendment or supplement thereto shall contain all statements which are required to be stated therein in accordance with the Act and the Rules and Regulations and conform in all material respects to the requirements thereof, and neither the Registration Statement nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) there shall have been, since the date as of which information is given, no Material Adverse Effect, except those which the Registration Statement and the Prospectus indicate will occur after the Effective Date and prior to such Closing Date, and the Company shall not have incurred any material liabilities or obligations, direct or contingent, or entered into any material transaction, contract or agreement not in the ordinary course of business other than as referred to in the Registration Statement and the Prospectus; and (iv) except as set forth in the Prospectus, no action, suit or proceeding, at law or in equity, shall be pending or threatened against the Company which might be required to be set forth in the Registration Statement, and no proceedings shall be pending or threatened against the Company before or by any commission, board or administrative agency in the United States or elsewhere, wherein an unfavorable decision, ruling or finding might result in a Material Adverse Effect.

(l) The NASD shall have indicated that it has no objections to the proposed underwriting arrangements pertaining to the sale of the Units by the Underwriters.

(m) No action shall have been taken by the Commission or the NASD the effect of which would make it improper, at any time prior to the Closing Date or the Option Closing Date, as the case may be, for any member firm of the NASD to execute transactions (as principal or as agent) in the Units, Shares or Warrants, and no proceedings for the purpose of taking such action shall have been instituted or shall be pending, or, to the best of the Underwriters' or the Company's knowledge, shall be contemplated by the Commission or the NASD. The Company represents at the date hereof, and shall represent as of the Closing Date or Option Closing Date, as the case may be, that it has no knowledge that any such action is in fact contemplated by the Commission or the NASD.

(n) The Company shall on the Closing Date and the Option Closing Date, as the case may be, meet the current and any existing criteria for inclusion of the Units, Common Shares and Warrants on AMEX and the Units through the Separation Date and the Common Shares and Warrants thereafter shall be listed and trading on AMEX through the Closing Dates and AMEX shall have not notified

the Company in writing or otherwise of any deficiency in respect of the Company's continued listing of Units, Common Shares and Warrants.

(o) All proceedings taken at or prior to the Closing Date or the Option Closing Date, as the case may be, in connection with the authorization, issuance and sale of the Units, Shares and Warrants shall be reasonably satisfactory in form and substance to the Underwriters and to Underwriters' Counsel, and such counsel shall have been furnished with all such documents, certificates and opinions as they may reasonably request for the purpose of enabling them to pass upon the matters referred to in this Section 8 hereof and in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Company, the performance of any covenants of the Company, or the compliance by the Company with any of the conditions herein contained.

(p) In the Underwriters' opinion: (i) no Material Adverse Effect shall have occurred; and (ii) no market conditions or other factors have occurred which might render the offer and sale of the Units, Shares and Warrants herein contemplated unadvisable.

(q) Upon exercise of the option provided for in Section 2(b) hereof, the obligations of the Underwriters to purchase and pay for the Optional Units will be subject to the following additional conditions:

(i) The Registration Statement shall remain effective at the Option Closing Date, and no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending, or, to the knowledge of the Underwriters or the Company, shall be contemplated by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of Underwriters' Counsel.

(ii) At the Option Closing Date there shall have been delivered to the Underwriters the signed opinion of Company Counsel, in form and substance reasonably satisfactory to the Underwriters' Counsel, which opinion shall be substantially the same in scope and substance as the opinions furnished to the Underwriters by such counsel at the date hereof and at First Closing Date pursuant to Section 8 (e).

(iii) At the Option Closing Date there shall have been delivered to the Underwriters a certificate of the Chief Executive Officer and the Secretary of the Company dated the Option Closing Date, in form and substance satisfactory to Underwriters' Counsel, substantially the same in scope and substance as the certificates furnished to the Underwriters at the First Closing Date pursuant to Section 8 (g).

(iv) At the Option Closing Date there shall have been delivered to the Underwriters a certificate or letter in form and substance satisfactory to the Underwriters from Kostin, Ruffkess & Company, LLC, dated the Option Closing Date and addressed to the Underwriters, confirming the information in its certificate or letter referred to in Section 8(d) hereof and stating that nothing has come to their attention during the period from the ending date of their review referred to in said certificate or letter to a date not more than three business days prior to the Option Closing Date which would require any change in said certificate or letter if it were required to be dated the Option Closing Date.

(v) All actions taken at or prior to the Option Closing Date in connection with the sale and transfer of the Optional Units shall be satisfactory in form and substance to the Underwriters, and the Underwriters and Underwriters' Counsel, shall have been furnished with all such documents, certificates, affidavits and opinions as the Underwriters and Underwriters' Counsel may reasonably request in connection with this transaction in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Company or its compliance with any of the covenants or conditions contained herein.

(vi) The Company shall have issued the Representative's Warrants.

The opinions and certificates mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof only if they are reasonably satisfactory to the Underwriters and to Underwriters' Counsel.

Any certificate signed by an officer of the Company delivered to the Underwriters or to Underwriters' Counsel, will be deemed a representation and warranty by the Company to the Underwriters as to the statements made therein.

9. Effective Date. This Agreement will become effective no later than 10:00 a.m. on the first business day following the date on which the Registration Statement becomes effective; provided, however, this Agreement will become effective at such later time after the Registration Statement becomes effective as the Underwriters may determine on and by notice to the Company or by release of any of the Units for sale to the public or by any other action constituting a commencement of the public offering. For the purposes of this Section 9, the Units will be deemed to be so released upon the release for publication of any newspaper advertisement relating to the Units or upon the release by the Underwriters of telegrams offering the Units for sale to securities dealers, whichever may occur first. The term "business day" shall mean a calendar day other than a Saturday, Sunday or holiday. Notwithstanding anything herein to the contrary, the provisions of this Section and of Sections 5, 6, 7, 10 and 11 hereof will, however, be effective upon the execution of this Agreement.

10. Termination. (a) This Agreement may be terminated by Shemano, in its absolute discretion, by notice to the Company (i) at any time before this Agreement becomes effective in accordance with Section 9 hereof; (ii) if, prior to the First Closing Date or the Option Closing Date, as the case may be, the Company shall have failed to perform or refused to fully comply with any of the provisions of this Agreement on its part to be performed prior thereto, or if any of the agreements, conditions, covenants, representations or warranties of the Company herein contained are not correct or have not been performed or fulfilled within the times specified; (iii) trading in securities generally on the New York Stock Exchange or the American Stock Exchange will have been suspended; (iv) limited or minimum prices will have been established on either such Exchange or maximum ranges for prices for securities shall have been required on the over-the-counter market by the NASD; (v) a banking moratorium will have been declared either by federal or New York State authorities; (vi) any other restrictions on transactions in securities materially affecting the free market for securities or the payment for such securities, will be established by either of

such Exchanges, by the Commission by any other federal or state agency, by action of the Congress or by Executive Order; (vii) the Company will have sustained a material loss, whether or not insured, by reason of fire, flood, accident or other calamity; (viii) any action has been taken by the Government of the United States or any department or agency thereof which, in the sole judgment of the Underwriters, has had a material adverse effect upon the general market for securities; (ix) if, prior to the First Closing Date or the Option Closing Date, as the case may be, a there shall have occurred the outbreak of any war or any other event or calamity which, in the sole judgment of the Underwriters, materially disrupts the financial markets of the United States; (x) if, prior to the First Closing Date or the Option Closing Date, as the case may be, the general market for securities or political, legal or financial conditions should deteriorate so materially from that in effect on the date of this Agreement that, in the sole judgment of the Underwriters, it becomes impracticable for the Underwriters to commence or proceed with the public offering of the Units, Shares or Warrants and with the payment for or acceptance thereof; (xi) if trading of any securities of the Company shall have been suspended, halted or delisted on any exchange or in any over-the-counter market or by the Commission; or (xii) if, prior to the First Closing Date or the Option Closing Date, as the case may be, any Material Adverse Effect shall have occurred in the sole judgment of the Underwriters, since the date as of which information is given in the Registration Statement and the Prospectus. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 5, 6, 7 and 11 shall not be in any way affected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

(b) INTENTIONALLY OMITTED.

11. Expenses, Compensation and Warrant Solicitation Fee.

(a) Expenses. Whether or not the offering is consummated, the Company will pay all costs and expenses incident to the issuance, offer, sale and delivery of the Units, Shares and Warrants, and the performance of the obligations of the Company hereunder, including without limiting the generality of the foregoing, (i) the preparation, printing, filing, and copying of the Registration Statement, Prospectus, this Agreement and other underwriting documents, if any, and any drafts, amendments or supplements thereto, including the cost of all copies thereof supplied to the Underwriters in such quantities as reasonably requested by the Underwriters and the costs of mailing Prospectuses, and any amendments or supplements thereto, to offerees and purchasers of the Units; (ii) the printing, engraving, issuance and delivery of certificates representing the Units, Shares and Warrants including any transfer or other taxes payable thereon; (iii) all filing fees, attorneys' fees, and expenses incurred by the Company in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Units, Shares and Warrants for offer and sale under the state securities or blue sky laws, and, if requested by the Underwriters, preparing and printing a "Blue Sky Survey" or other memorandum, and any supplements thereto, advising the Underwriters of such qualifications, registrations and exemptions, (iv) the filing fees, costs and expenses incurred in filing and clearing the offering with the NASD; (v) all reasonable fees and expenses of the Company's counsel and accountants; (vi) all costs and expenses of any listing of the Units, Common Shares and Warrants on the AMEX, NASDAQ or any other stock exchange or in Standard and Poor's Corporation Reports or any other securities manuals; (vii) all costs and expenses of four (4) bound volumes provided to the Underwriters of all documents, paper exhibits, correspondence and records forming the materials included in the offering; (viii) the cost of any conference or meeting rooms and associated food and beverage costs incurred to stage any group presentations on the "road show" and all travel, room and board expenses of the Company's employees in connection with the "road show" (it being understood that the Underwriters will pay their own travel, room and board expenses in connection with the road show); and (ix) all other costs and expenses incurred or to be incurred by the Company in connection with the transactions contemplated by this Agreement. The obligations of the Company under this subsection (a) shall survive any termination or cancellation of this Agreement.

(b) Underwriting Compensation. In addition to the Company's responsibility for payment of the foregoing expenses, the Company shall pay Shemano for its expenses on a non-accountable basis in the amount equal to three percent (3%) of the gross proceeds of the offering, of which $30,000 has been paid and the balance shall be paid at the First Closing Date and any Option Closing Date, as applicable. In the event the offering for any reason is not closed or is withdrawn, Shemano shall retain so much of the amounts received from the Company equal to its actual accountable expenses and reimburse the Company for the remainder, if any. In addition to the foregoing, in the event the offering for any reason is not closed, and provided Shemano was willing to proceed with the offering, the Company shall promptly reimburse the Shemano in full for its actual out-of-pocket expenses (including, without limitation, the fees and disbursements of Underwriters' Counsel) up to the aggregate sum of Eighty Thousand Dollars ($80,000), inclusive of the amounts previously paid to Shemano.

(c) Warrant Solicitation Fee. Subject to the provisions of applicable law, and pursuant to Section 5(b) of the Warrant Agreement, the Representative shall be entitled to receive a warrant solicitation fee of five percent (5%) of the aggregate exercise price of the Warrants for each Warrant exercised during the period commencing twelve (12) months after the Effective Date; provided, however, that the Representative will not be entitled to receive such compensation in Warrant exercise transactions in which (i) the market price of the Common Shares at the time of exercise is lower than the exercise price of the Warrants; (ii) the Warrants are held in any discretionary account; (iii) disclosure of compensation arrangements is not made in documents provided to holders of Warrants at the time of exercise; (iv) the holder thereof has not confirmed in writing that the Representative solicited the exercise of the Warrants; or (v) the solicitation or exercise of the Warrants was in violation of Regulation M promulgated under the 1934 Act.

(d) State Registration or Qualification. The Underwriters shall determine in which states or jurisdictions the Units shall be registered or qualified for sale. Immediately prior to the Effective Date, Company Counsel shall advise the Underwriters in writing of all states in which the Offering has been registered or qualified for sale or has been canceled, withdrawn or denied and the number of Units registered or qualified for sale in each such state. The Company shall be responsible for the cost of state registration or qualification, including the filing fees and the legal fees and disbursements of the Company's Counsel in connection with obtaining such registration or qualification.

12. Notices. Any notice hereunder shall be in writing, unless otherwise expressly provided herein, and if to the respective persons indicated, will be sufficient if sent by certified mail, return receipt requested, postage prepaid, by overnight delivery, by hand delivery, or by facsimile if confirmed, and addressed as respectively indicated, or to such other address as will be indicated by a written notice similarly

given, to the following persons:

If to the Underwriters to:

The Shemano Group, Inc.
601 California Street
Suite 1150
San Francisco, California 94108
Attn: Gary J. Shemano, Chairman
Facsimile: 415-274-3238

with a copy to:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attn: Richard DiStefano, Esq.
Facsimile: 212-885-5001

If to the Company to:

Flight Safety Technologies, Inc.
28 Cottrell Street
Mystic, Connecticut 06355
Attn: Samuel A. Kovnat, Chairman & CEO
Facsimile: 860-437-4587

with a copy to:

Tobin, Carberry, O'Malley, Riley & Selinger, P.C.
43 Broad Street
New London, Connecticut 06320
Attn: Joseph J. Selinger, Jr., Esq.
Facsimile: 860-442-3469

Notice shall be deemed delivered upon receipt.

13. Required Consents or Exercise of Judgment. It is hereby agreed that for any consents from the Underwriters or any exercise of judgment or discretion by the Underwriters that is required pursuant to this Agreement or the Warrant Agreement, Shemano shall have the sole right to give or withhold such consent and to exercise such judgment or discretion.

14. Successors. This Agreement will inure to the benefit of and be binding upon the Underwriters and the Company and their respective successors and assigns. Nothing expressed or mentioned in this Agreement is intended, or will be construed, to give any person, corporation or other entity other than the persons, corporations and other entities mentioned in the preceding sentence any legal or equitable right, remedy, or claim under or in respect to this Agreement or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other persons; except that the representations, warranties and indemnities of the Company contained in this Agreement will also be for the benefit of the directors and officers of either of the Underwriters and any person or persons who control any of the Underwriters within the meaning of Section 15 of the Act, and except that the indemnities of the Underwriters will also be for the benefit of the directors and officers of the Company and any person or persons who control the Company within the meaning of Section 15 of the Act. No purchaser of any of the Shares from the Underwriters will be deemed a successor or assign solely because of such purchase.

15. Finders and Holders of First Refusal Rights.

(a) The Company hereby represents and warrants to the Underwriters that it has not paid any compensation for services to, for, or in respect of, directly or indirectly, a finder in connection with any prior financing of the Company during the twelve-month period immediately preceding the date hereof and that no person is entitled, directly or indirectly, to compensation for services as a finder in connection with the proposed transactions, except as set forth in subsection (c) below. The Company further represents and warrants that no person holds a right of first refusal or similar right in connection with the proposed offering, and the Company hereby agrees to indemnify and hold harmless each of the Underwriters, their respective officers, directors, agents and each person, if any, who controls either of such Underwriters within the meaning of Section 15 of the Act, from and against any loss, liability, claim, damage or expense whatsoever arising out of a claim by an alleged finder or alleged holder of a right of first refusal or similar right in connection with the proposed offering, insofar as such loss, liability, claim, damage or expense arises out of any action or alleged action of the Company.

(b) Each of the Underwriters hereby represent and warrant to the Company that no person is entitled, directly or indirectly, to compensation for services as a finder in connection with the proposed transactions contemplated by this Agreement, except as set forth in subsection (c) below; and each of the Underwriters hereby agree to indemnify and hold harmless the Company, its officers, directors and agents, from and against any loss, liability, claim, damage or expense whatsoever arising out of a claim by an alleged finder in connection with the proposed offering, insofar as such loss, liability, claim, damage or expense arises out of any action or alleged action of such Underwriter.

(c) Dunwoody Brokerage Services, Inc., is entitled to compensation from Shemano for services as a finder in connection with the Offering.

16. Applicable Law. This Agreement shall be a deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of said state applicable to contracts made and to be performed entirely within such State. The Company (i) agrees that any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection which the Company may have now or hereafter to the venue of any such suit, action or proceeding, and (iii) irrevocably consents to the jurisdiction of the New York State Supreme Court, County of New York and the United States District Court for the Southern District of New York in any such suit, action or procedure. Each of the Company and the Underwriters further agrees to accept and acknowledge service of any and all process which may be served in any suit, action or proceeding in the New York State Supreme Court, County of New York and the United States District Court for the Southern District of New York, and agrees that service of process upon the Company mailed by certified mail to the Company's address shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding. In the event of litigation between the parties arising hereunder, the prevailing party shall be entitled to costs and reasonable attorney's fees.

17. Headings. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect any of the terms or provisions hereof.

18. Counterparts. This Agreement may be executed in any number of counterparts which, taken together, shall constitute one and the same instrument.

19. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Underwriters and the Company with respect to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, between them.

20. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders and the singular shall include the plural, and vice versa.

[SIGNATURE PAGE FOLLOWS]

If the foregoing correctly sets forth our understanding, please indicate the Underwriters' acceptance thereof, as of the day and year first above written, in the spaces provided below for that purpose, whereupon this letter with the Underwriters' acceptance shall constitute a binding agreement among us.

Very truly yours,

FLIGHT SAFETY TECHNOLOGIES, INC.

By:_____
Name:
Title:

Confirmed and accepted on the
day and year first above written.

THE SHEMANO GROUP, INC.

By:_____
Name: Gary J. Shemano
Title: Chairman of the Board and President

EXHIBIT A

FORM OF LEGAL OPINION OF COMPANY COUNSEL

-

EXHIBIT B

-

EXHIBIT 4.4

FLIGHT SAFETY TECHNOLOGIES, INC.,
a Nevada corporation,

and

PACIFIC STOCK TRANSFER COMPANY,
as Warrant Agent,

and

THE SHEMANO GROUP, INC.,
as Underwriter

PUBLIC WARRANT AGREEMENT

TABLE OF CONTENTS

WARRANT AGENT AGREEMENT dated as of February __, 2004, by and among Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), The Shemano Group, Inc. (the "Underwriter"), and Pacific Stock Transfer Company, as warrant agent (hereinafter called the "Warrant Agent").

WHEREAS, the Company proposes to issue and sell to the public up to 1,350,000 units (the "Units"), each Unit consisting of two shares of the common stock of the Company, par value $.001 per share (hereinafter, together with the stock of any other class to which such shares may hereafter have been changed, called "Common Stock"), and one Common Stock purchase warrant (the "Warrants");

WHEREAS, each Warrant will entitle the holder to purchase one share of Common Stock;

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange and exercise of the Warrants;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

Section 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as Warrant Agent for the Company in accordance with the instructions hereinafter set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

Section 2. Form of Warrant. The text of the Warrants and of the form of election to purchase Common Stock to be printed on the reverse thereof shall be substantially as set forth in Exhibit A attached hereto. Each Warrant shall entitle the registered holder thereof to purchase one share of Common Stock at a purchase price of Three Dollars and Thirty Cents ($3.30), at any time commencing on the Separation Date (as hereinafter defined) until 5:00 p.m. Eastern time, on January 29, 2009 (the "Warrant Exercise Period"). The securities comprising the Units will become detachable and separately transferable commencing February 28, 2004 or such earlier date as to which the Underwriter consents (the "Separation Date"). The warrant price and the number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events, all as hereinafter provided. The Warrants shall be executed on behalf of the Company by the manual or facsimile signature of the present or any future Chief Executive Officer, President or Vice President of the Company, attested to by the manual or facsimile signature of the present or any future Secretary or Assistant Secretary of the Company.

Warrants shall be dated as of the issuance by the Warrant Agent either upon initial issuance or upon transfer or exchange.

In the event the aforesaid expiration dates of the Warrants fall on a Saturday or Sunday, or on a legal holiday on which the New York Stock Exchange is closed, then the Warrants shall expire at 5:00 p.m. Eastern time on the next succeeding business day.

Section 3. Countersignature and Registration. The Warrant Agent shall maintain books for the transfer and registration of the Warrants. Upon the initial issuance of the Warrants, the Warrant Agent shall issue and register the Warrants in the names of the respective holders thereof. The Warrants shall be countersigned manually or by facsimile by the Warrant Agent (or by any successor to the Warrant Agent then acting as warrant agent under this Agreement) and shall not be valid for any purpose unless so countersigned. Warrants may, however, be so countersigned by the Warrant Agent (or by its successor as Warrant Agent) and be delivered by the Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature or delivery.

Section 4. Transfers and Exchanges. The Warrant Agent shall transfer, from time to time, any outstanding Warrants upon the books to be maintained by the Warrant Agent for that purpose, upon surrender thereof for transfer properly endorsed or accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be cancelled by the Warrant Agent. Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request. Warrants may be exchanged at the option of the holder thereof, when surrendered at the office of the Warrant Agent, for another Warrant, or other Warrants of different denominations of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

Section 5. Exercise of Warrants; Payment of Warrant Solicitation Fee.

(a) Subject to the provisions of this Agreement, each registered holder of Warrants shall have the right, which may be exercised commencing at the opening of business on the first day of the Warrant Exercise Period, to purchase from the Company (and the Company shall issue and sell to such registered holder of Warrants) the number of fully paid and non-assessable shares of Common Stock specified in such Warrants upon surrender of such Warrants to the Company at the office of the Warrant Agent, with the form of election to purchase on the reverse thereof duly filled in and signed, and upon payment to the Company of the warrant price, determined in accordance with the provisions of Sections 9 and 10 of this Agreement, for the number of shares of Common Stock in respect of which such Warrants are then exercised. Payment of such warrant price shall be made in cash or by certified check or bank draft to the order of the Company. Subject to Section 6, upon such surrender of Warrants and payment of the warrant price, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of such Warrants and in such name or names as such registered holder may designate, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of such Warrants. Such certificate or certificates shall be deemed to have been issued, and any person so designated to be named therein shall be deemed to have become a holder of record of such shares of Common Stock, as of the date of the surrender of such Warrants and payment of the warrant price as aforesaid. The rights of purchase represented by the Warrants shall be exercisable, at the election of the registered holders thereof, either as an entirety or from time to time for a portion of the shares specified

therein and, in the event that any Warrant is exercised in respect of less than all of the shares of Common Stock specified therein at any time prior to the date of expiration of the Warrants, a new Warrant or Warrants will be issued to the registered holder for the remaining number of shares of Common Stock specified in the Warrant so surrendered, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrants pursuant to the provisions of this Section and of Section 3 of this Agreement and the Company, whenever requested by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose. Anything in the foregoing to the contrary notwithstanding, no Warrant will be exercisable unless at the time of exercise the Company has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended (the "Act"), covering the shares of Common Stock issuable upon exercise of such Warrant and such shares have been so registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of such Warrant. The Company shall use its best efforts to have all shares so registered or qualified on or before the date on which the Warrants become exercisable.

(b) If at the time of exercise of any Warrant after 12 months after the Effective Date (i) the market price of the Company's Common Stock is equal to or greater than the then purchase price of the Warrant, (ii) the exercise of the Warrant is solicited by the Underwriter at such time while the Underwriter is a member of the National Association of Securities Dealers, Inc. ("NASD"), (iii) the Warrant is not held in a discretionary account, (iv) disclosure of the compensation

arrangement is made in documents provided to the holders of the Warrants; and (v) the solicitation of the exercise of the Warrant is not in violation of Regulation M (as such regulation or any successor regulation or rule may be in effect as of such time of exercise) promulgated under the Securities Exchange Act of 1934, then the Underwriter shall be entitled to receive from the Company upon exercise of each of the Warrant(s) so exercised a fee of five percent (5%) of the aggregate price of the Warrants so exercised (the "Exercise Fee"). The procedures for payment of the warrant solicitation fee are set forth in Section 5(c) below.

(c) (1) Within five (5) days of the last day of each month commencing with February 2005, the Warrant Agent will notify the Underwriter of each Warrant Certificate which has been properly completed for exercise by holders of Warrants during the last month. The Company and Warrant Agent shall determine, in their sole and absolute discretion, whether a Warrant Certificate has been properly completed. The Warrant Agent will provide the Underwriter with such information, in connection with the exercise of each Warrant, as the Underwriter shall reasonably request.

(2) The Company hereby authorizes and instructs the Warrant Agent to deliver to the Underwriter the Exercise Fee promptly after receipt by the Warrant Agent from the Company of a check payable to the order of the Underwriter in the amount of the Exercise Fee. In the event that an Exercise Fee is paid to the Underwriter with respect to a Warrant which the Company or the Warrant Agent determines is not properly completed for exercise or in respect of which the Underwriter is not entitled to an Exercise Fee, the Underwriter will promptly return such

Exercise Fee to the Warrant Agent which shall forthwith return such fee to the Company. In addition to the Exercise Fee payable hereunder, the Company shall pay all costs and expenses relating to any solicitation. The Company hereby acknowledges that the Underwriter shall be the sole warrant solicitation agent in connection with the solicitation of warrants.

The Underwriter and the Company may at any time, after February 2005, and during business hours, examine the records of the Warrant Agent, including its ledger of original Warrant certificates returned to the Warrant Agent upon exercise of Warrants. Notwithstanding any provision to the contrary, the provisions of paragraphs 5(b) and 5(c) may not be modified, amended or deleted without the prior written consent of the Underwriter.

6. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Common Stock issuable upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of any certificates of shares of Common Stock in a name other than that of the registered holder of Warrants in respect of which such shares are issued, and in such case neither the Company nor the Warrant Agent shall be required to issue or deliver any certificate for shares of Common Stock or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's satisfaction that such tax has been paid.

Section 7. Mutilated or Missing Warrants. In case any of the Warrants shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, issue and the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction and, in case of a lost, stolen or destroyed Warrant, indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrants shall also comply with such other reasonable regulations and pay such reasonable charges as the Company or the Warrant Agent may prescribe.

Section 8. Reservation of Common Stock. There have been reserved, and the Company shall at all times keep reserved, out of the authorized and unissued shares of Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the Warrants, and the transfer agent for the shares of Common Stock and every subsequent transfer agent for any shares of the Company's Common Stock issuable upon the exercise of any of the rights of purchase aforesaid are irrevocably authorized and directed at all times to reserve such number of authorized and unissued shares of Common Stock as shall be required for such purpose. The Company agrees that all shares of Common Stock issued upon exercise of the Warrants shall be, at the time of delivery of the certificates of such shares, validly issued and outstanding, fully paid and non-assessable and listed on any national securities exchange upon which the other shares of Common Stock are then listed. So long as any unexpired Warrants remain outstanding, the Company will file such post-effective

amendments to the registration statement (Form SB-2, Registration No. 333-109916) (the "Registration Statement") filed pursuant to the Act with respect to the Warrants (or other appropriate registration statements or post-effective amendment or supplements) as may be necessary to permit it to deliver to each person exercising a Warrant, a prospectus meeting the requirements of Section 10(a)(3) of the Act and otherwise complying therewith, and will deliver such a prospectus to each such person. The Company will keep a copy of this Agreement on file with the transfer agent for the shares of Common Stock and with every subsequent transfer agent for any shares of the Company's Common Stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent is irrevocably authorized to requisition from time to time from such transfer agent stock certificates required to honor outstanding Warrants. The Company will supply such transfer agent with duly executed stock certificates for that purpose. All Warrants surrendered in the exercise of the rights thereby evidenced shall be cancelled by the Warrant Agent and shall thereafter be delivered to the Company, and such cancelled Warrants shall constitute sufficient evidence of the number of shares of Common Stock which have been issued upon the exercise of such Warrants. Promptly after the date of expiration of the Warrants, the Warrant Agent shall certify to the Company the total aggregate amount of Warrants then outstanding, and thereafter no shares of Common Stock shall be subject to reservation in respect of such Warrants that shall have expired.

Section 9. Warrant Price; Adjustments.

(a) The warrant price at which Common Stock shall be purchasable upon the exercise of the Warrants shall be $3.30 per share or, after adjustment as provided in this Section, shall be such price as so adjusted (the "Warrant Price").

(b) The Warrant Price shall be subject to adjustment from time to time as follows:

(1) In case the Company shall at any time after the date hereof pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, then upon such dividend or distribution the Warrant Price in effect immediately prior to such dividend or distribution shall forthwith be reduced to a price determined by dividing:

(i) an amount equal to the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution multiplied by the Warrant Price in effect immediately prior to such dividend or distribution, by

(ii) the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

For the purposes of any computation to be made in accordance with the provisions of this Section 9(b)(1), the following provisions shall be applicable: Common Stock issuable by way of dividend or other distribution on any stock of the Company shall be deemed to have been issued immediately after the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution.

(2) In case the Company shall at any time subdivide or combine the outstanding Common Stock, the Warrant Price shall forthwith be proportionately decreased in the case of subdivision or increased in the case of combination to the nearest one cent. Any such adjustment shall become effective at the time such subdivision or combination shall become effective.

(3) Within a reasonable time after the close of each quarterly fiscal period of the Company during which the Warrant Price has been adjusted as herein provided, the Company shall:

(i) file with the Warrant Agent a certificate signed by the Chief Executive Officer, President or Vice President of the Company and by the Chief Financial Officer, Principal Accounting Officer, Treasurer or Assistant Treasurer of the Company, showing in detail the facts requiring all such adjustments occurring during such period and the Warrant Price after each such adjustment; and

(ii) the Warrant Agent shall have no duty with respect to any such certificate filed with it except to keep the same on file and available for inspection by holders of Warrants during reasonable business hours, and the Warrant Agent may conclusively rely upon the latest certificate furnished to it hereunder. The Warrant Agent shall not at any time be under any duty or responsibility to any holder of a Warrant to determine whether any facts exist which may require any adjustment of the Warrant Price, or with respect to the nature or extent of any adjustment of the Warrant Price when made, or with respect to the method employed in making any such adjustment, or with respect to the nature or extent of the property or securities

deliverable hereunder. In the absence of a certificate's having been furnished, the Warrant Agent may conclusively rely upon the provisions of the Warrants with respect to the Common Stock deliverable upon the exercise of the Warrants and the applicable Warrant Price.

(4) Notwithstanding anything contained herein to the contrary, no adjustment of the Warrant Price shall be made if the amount of such adjustment shall be less than $0.02, but in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to not less than $0.02.

(5) In the event that the number of outstanding shares of Common Stock is increased by a stock dividend payable in Common Stock or by a subdivision of the outstanding Common Stock, then, from and after the time at which the adjusted Warrant Price becomes effective pursuant to this Section 9(b) by reason of such dividend or subdivision, the number of shares of Common Stock issuable upon the exercise of each Warrant shall be increased in proportion to such increase in outstanding shares. In the event that the number of shares of Common Stock outstanding is decreased by a combination of the outstanding Common Stock, then, from and after the time at which the adjusted Warrant Price becomes effective pursuant to this Section 9(b) by reason of such combination, the number of shares of Common Stock issuable upon the exercise of each Warrant shall be decreased in proportion to such decrease in the outstanding shares of Common Stock.

(6) In case of any reorganization or reclassification of the outstanding Common Stock (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination), or in case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification of the outstanding Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the holder of each Warrant then outstanding shall thereafter have the right to purchase the kind and amount of shares of Common Stock and other securities and property receivable upon such reorganization, reclassification, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which the holder of such Warrant shall then be entitled to purchase; such adjustments shall apply with respect to all such changes occurring between the date of this Warrant Agreement and the date of exercise of such Warrant.

(7) Subject to the provisions of this Section 9, in case the Company shall, at any time prior to the exercise of the Warrants, make any distribution of its assets to holders of its Common Stock as a liquidating or a partial liquidating dividend, then the holder of Warrants who exercises its Warrants after the record date for the determination of those holders of Common Stock entitled to such distribution of assets as a liquidating or partial liquidating dividend shall be entitled to receive for the Warrant Price per Warrant, in addition to each share of Common

Stock, the amount of such distribution (or, at the option of the Company, a sum equal to the value of any such assets at the time of such distribution as determined by the Board of Directors of the Company in good faith) which would have been payable to such holder had such holder been the holder of record of the Common Stock receivable upon exercise of its Warrant on the record date for the determination of those entitled to such distribution.

(8) In case of the dissolution, liquidation or winding up of the Company, all rights under the Warrants shall terminate on a date fixed by the Company, such date to be no earlier than ten (10) days prior to the effectiveness of such dissolution, liquidation or winding up and not later than five (5) days prior to such effectiveness. Notice of such termination of purchase rights shall be given to the last registered holder of the Warrants, as the same shall appear on the books of the Company maintained by the Warrant Agent, by registered mail at least thirty (30) days prior to such termination date.

(9) In case the Company shall, at any time prior to the expiration of the Warrants and prior to the exercise thereof, offer to the holders of its Common Stock any rights to subscribe for additional shares of any class of the Company, then the Company shall give written notice thereof to the registered holders of the Warrants not less than thirty (30) days prior to the date on which the books of the Company are closed or a record date is fixed for the determination of the stockholders entitled to such subscription rights. Such notice shall specify the date as to which

the books shall be closed or the record date fixed with respect to such offer of subscription and the right of the holders of the Warrants to participate in such offer of subscription shall terminate if the Warrant shall not be exercised on or before the date of such closing of the books or such record date.

(10) Any adjustment pursuant to the aforesaid provisions of this Section 9 shall be made on the basis of the number of shares of Common Stock that the holder thereof would have been entitled to acquire upon the exercise of the Warrant immediately prior to the event giving rise to such adjustment.

(11) Irrespective of any adjustments in the Warrant Price or the number or kind of shares purchasable upon exercise of the Warrants, Warrants previously or thereafter issued may continue to express the same price and number and kind of shares as are stated in the similar Warrants initially issuable pursuant to this Warrant Agreement.

(12) If at any time, as a result of an adjustment made pursuant to Section 9(b)(6) above, the holder of a Warrant or Warrants shall become entitled to purchase any securities other than shares of Common Stock, thereafter the number of such securities so purchasable upon exercise of each Warrant and the Warrant Price for such securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Sections 9(b)(2) through (5).

Section 10. Elimination of Fractional Interests. The Warrants may only be exercised to purchase full shares of Common Stock and the Company shall not be required to issue fractions of shares of Common Stock on the exercise of Warrants. However, if a Warrant holder exercises all Warrants then owned of record by it and such exercise would result in the issuance of a fractional share, the Company will pay to such Warrant holder, in lieu of the issuance of any fractional share otherwise issuable, an amount of cash based on the market value of the Common Stock of the Company on the last trading day prior to the exercise date.

Section 11. Notices to Warrantholders.

(a) Upon any adjustment of the Warrant Price and the number of shares of Common Stock issuable upon exercise of a Warrant, then and in each such case the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Company shall also mail such notice to the holders of the Warrants at their addresses appearing in the Warrant register. Failure to give or mail such notice, or any defect therein, shall not affect the validity of the adjustments.

(b) Nothing contained in this Agreement shall be construed as conferring upon the holders of Warrants the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

(1) the Company shall pay dividends payable in stock upon its Common Stock or make any distribution (other than regular cash dividends) to the holders of its Common Stock; or

(2) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights; or

(3) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of substantially all of its assets to, another corporation; or

(4) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then in any one or more of such events, the Company shall give written notice in the manner set forth in Section 11(a) of the date on which (A) a record shall be taken for such dividend, distribution or subscription rights, or (B) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange

their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such notice shall be given at least thirty (30) days prior to the action in question and not less than thirty (30) days prior to any record date in respect thereof. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any of the matters set forth in this Section 11(b).

(c) The Company shall cause copies of all financial statements and reports, proxy statements and other documents that are sent to its stockholders to be sent by first-class mail, postage prepaid to each registered holder of Warrants at his address appearing in the warrant register as of the record date for the determination of the stockholders entitled to such documents.

Section 12. Disposition of Proceeds on Exercise of Warrants.

(a) The Warrant Agent shall promptly forward to the Company all monies received by the Warrant Agent for the purchase of shares of Common Stock through the exercise of Warrants.

(b) The Warrant Agent shall keep copies of this Agreement available for inspection by holders of Warrants during normal business hours.

Section 13. Redemption of Warrants. The Warrants are redeemable by the Company, in whole or in part, on not less than thirty (30) days' prior written notice at a redemption price of $.25 per Warrant (subject to adjustment consistent with the provisions of Section 9 hereof) at any time after January 29, 2005; provided that (i) the last reported sales price per share of the Common Stock as reported by the principal exchange or trading market on which the Common Stock trades equals or exceeds $10.00 (subject to adjustment in certain circumstances) for twenty (20) consecutive trading days ending on the tenth trading day prior to the day on which the Company gives notice (the "Call Date") of redemption and (ii) there is an effective registration statement under the Act covering the offer and sale of shares of Common Stock upon exercise of the Warrants. The redemption notice shall be mailed to the holders of the Warrants at their addresses appearing in the Warrant register. Holders of the Warrants will have exercise rights until the close of business on the business day next preceding the specified redemption date.

Section 14. Merger or Consolidation or Change of Name of Warrant Agent. Any corporation or company which may succeed to the corporate trust business of the Warrant Agent by any merger or consolidation or otherwise shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible to serve as a successor Warrant Agent under the provisions of Section 16 of this Agreement. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants

shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrants so countersigned.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrants so countersigned. In all such cases such Warrants shall have the full force provided in the Warrants and in the Agreement.

Section 15. Duties of Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Warrants, by their acceptance thereof, shall be bound:

(a) The statements of fact and recitals contained herein and in the Warrants shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken or to be taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein expressly provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants in this Agreement or in the Warrants to be complied with by the Company.

(c) The Warrant Agent may consult at any time with counsel satisfactory to it (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

(d) The Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate or other instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(e) The Company agrees to pay to the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the performance of its obligations under this Agreement, to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges incurred by the Warrant Agent in the performance of its obligations under this Agreement and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the performance of its obligations under this Agreement except as a result of the Warrant Agent's negligence, willful misconduct or bad faith.

(f) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expenses unless the Company or one or more registered holders of Warrants shall furnish the Warrant Agent with reasonable security

and indemnity for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrants, as their respective rights and interests may appear.

(g) The Warrant Agent and any stockholder, director, officer, partner or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to or otherwise act as fully and freely as though it were not the Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(h) The Warrant Agent shall act hereunder solely as agent and its duties shall be determined solely by the provisions hereof.

(i) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, and the Warrant Agent shall not be answerable or accountable for any such attorneys, agents or employees or for any loss to the Company resulting from such neglect or misconduct, provided reasonable care had been exercised in the selection and continued employment thereof.

(j) Any request, direction, election, order or demand of the Company shall be sufficiently evidenced by an instrument signed in the name of the Company by its Chief Executive Officer, President or a Vice President or its Secretary or an Assistant Secretary or its Treasurer or an Assistant Treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Warrant Agent by a copy thereof certified by the Secretary or an Assistant Secretary of the Company.

Section 16. Change of Warrant Agent. The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company notice in writing, and to the holders of the Warrants notice by mailing such notice to the holders at their addresses appearing on the Warrant register, of such resignation, specifying a date when such resignation shall take effect. The Warrant Agent may be removed by like notice to the Warrant Agent from the Company and the like mailing of notice to the holders of the Warrants. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or after the Company has received such notice from a registered holder of a Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the registered holder of any Warrant may apply to any court of competent jurisdiction for the appointment of a successor to

the Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such a court, shall be a bank or trust company, in good standing, incorporated under New York, Nevada or federal law. After appointment, the successor Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed and the former Warrant Agent shall deliver and transfer to the successor Warrant Agent all cancelled Warrants, records and property at the time held by it hereunder, and execute and deliver any further assurance or conveyance necessary for the purpose. Failure to file or mail any notice provided for in this Section, however, or any defect therein, shall not affect the validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be.

Section 17. Identity of Transfer Agent. Forthwith upon the appointment of any transfer agent for the shares of Common Stock or of any subsequent transfer agent for the shares of Common Stock or other shares of the Company's Common Stock issuable upon the exercise of the rights of purchase represented by the Warrants, the Company will file with the Warrant Agent a statement setting forth the name and address of such transfer agent.

Section 18. Notices. Any notice pursuant to this Agreement to be given by the Warrant Agent, by the Underwriter or by the registered holder of any Warrant to the Company, shall be sufficiently given if sent by first-class mail, postage prepaid, addressed (until another is filed in writing by the Company with the Warrant Agent) as follows:

Flight Safety Technologies, Inc.
28 Cottrell Street
Mystic, Connecticut 06355
Attention: Samuel A. Kovnat
Chairman and CEO

and a copy thereof to:

Tobin, Carberry, O'Malley, Riley, Selinger, P.C.
43 Broad Street
New London, Connecticut 06320
Attention: Joseph J. Selinger, Jr., Esq.

Any notice pursuant to this Agreement to be given by the Company, by the Underwriter or by the registered holder of any Warrant to the Warrant Agent shall be sufficiently given if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company) as follows:

Pacific Stock Transfer Company
500 E. Warm Springs Road, Suite 240
Las Vegas, Nevada 89119
Attention: Valerie Killius

Any notice pursuant to this Agreement to be given by the Warrant Agent or by the Company to the Underwriter shall be sufficiently given if sent by first-class mail, postage prepaid, addressed (until another address if filed in writing with the Warrant agent) as follows:

The Shemano Group, Inc.
601 California Street
Suite 1150
San Francisco, California 94108
Attention: Gary J. Shemano
Chairman

and a copy thereof to:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Richard DiStefano, Esq.

Section 19. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the Warrants and which shall not adversely affect the interest of the holders of Warrants.

Section 20. Governing Law. This Agreement and each Warrant issued hereunder shall be deemed to be a contract made under the laws of the State of New York and shall be construed in accordance with the laws of New York applicable to agreements to be performed wholly within New York.

Section 21. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered holders of the Warrants any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered holders of the Warrants.

Section 22. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company, the Warrant Agent or the Underwriter shall bind and inure to the benefit of their respective successors and assigns hereunder.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

FLIGHT SAFETY TECHNOLOGIES, INC.

By:_____
Name:
Title:

PACIFIC STOCK TRANSFER COMPANY

By:_____
Name:
Title:

THE SHEMANO GROUP, INC.

By:_____
Name:
Title:

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

COMMON STOCK PURCHASE WARRANTS

FLIGHT SAFETY TECHNOLOGIES, INC.

EXERCISABLE ON OR BEFORE
5:00 P.M., EASTERN TIME, JANUARY 29, 2009

No. Warrants

CUSIP _____

THIS IS TO CERTIFY THAT

or registered assigns, is the owner of the number of warrants set forth above. Each warrant (subject to adjustments as hereinafter referred to) entitles the holder hereof to purchase at any time until 5:00 p.m. Eastern Time on January 29, 2009 one fully paid and non-assessable share of common stock (the "Common Stock") of Flight Safety Technologies, Inc., a Nevada corporation (the "Company") (such shares of Common Stock being hereinafter referred to as the "Shares" or a "Share"), upon payment of the warrant price (as hereinafter described), provided, however, that under certain conditions set forth in the Warrant Agreement hereinafter mentioned the number of Shares purchased upon the exercise of a warrant may be increased or reduced and the warrant price may be adjusted. Subject to adjustment as aforesaid, the warrant price per Share (hereinafter called the "Warrant Price") shall be $3.30 per Share. As provided in said Warrant Agreement the Warrant Price is payable upon the exercise of the Warrant, either in cash or by certified check payable to the order of the Company.

Under certain conditions set forth in the Warrant Agreement, this Warrant may be called for redemption on or after January 29, 2005, at a redemption price of $0.25 per Warrant (subject to adjustment consistent with the provisions of Section 9 of the Warrant Agreement) upon written notice of not less than 30 days.

Upon the exercise of this Warrant, the form of election to purchase must be properly completed and executed. In the event that this Warrant is exercised in respect of less than all of such Shares, a new Warrant for the remaining number of Shares will be issued on such surrender.

This Warrant is issued under and the rights represented hereby are subject to the terms and provisions contained in a Public Warrant Agreement (the "Warrant Agreement"), dated as of February ___, 2004, among the Company, Pacific Stock Transfer Company, as Warrant

Agent (the "Warrant Agent") and The Shemano Group, Inc., as the Underwriter (the "Underwriter"), all terms and provisions of which the registered holder of this Warrant, by acceptance hereof, assents to. Reference is hereby made to said Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holders hereof, the rights and duties of the Warrant Agent and the rights and obligations of the Company hereunder. Copies of said Warrant Agreement are on file at the office of the Warrant Agent.

The Company shall not be required upon the exercise of this Warrant to issue fractions of Shares, but shall make adjustments therefor in cash on the basis of the then current market value of any fractional interest as provided in the Warrant Agreement.

This Warrant is transferable at the office of the Warrant Agent (or of its successor as Warrant Agent) by the registered holder hereof in person or by attorney duly authorized in writing, but only in this manner and subject to the limitations provided in the Warrant Agreement and upon surrender of this Warrant and the payment of any transfer taxes. Upon any such transfer, a new Warrant, or Warrants of different denominations, of this tenor and representing in the aggregate the right to purchase a like number of Shares will be issued to the transferee in exchange for this Warrant.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other securities purchasable upon exercise of the Warrants are closed for any purpose, the Company shall not be required to make delivery of certificates for the securities purchased upon such exercise until the date of the reopening of said transfer books.

The holder of this Warrant shall not be entitled to any of the rights of a shareholder of the Company prior to the exercise hereof.

This Warrant shall not be valid unless countersigned by the Warrant Agent.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED:

[SIGNATURE] [CORPORATE SEAL] [SIGNATURE]

FLIGHT SAFETY TECHNOLOGIES, INC.

ELECTION TO PURCHASE

To Be Executed by the Registered Holder In Order to Exercise Warrants

To: FLIGHT SAFETY TECHNOLOGIES, INC.

c/o: Pacific Stock Transfer Company
500 E. Warm Springs Road, Suite 240
Las Vegas, Nevada 89119

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant(s) for and to purchase thereunder, _____ shares of Common Stock provided for therein and tenders herewith payment of the purchase price in full to the order of the Company and requests that certificates for such shares shall be issued in the name of

_____ (Please Print or Typewrite)

_____ PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

and be delivered to _____
(Name)

at _____
(Street Address) (City) (State) (Zip Code)

and, if said number of shares shall not be all the shares purchasable thereunder, that a new Warrant for the balance remaining of the shares purchasable under the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: Signature: _____

Note: the above signature must correspond with the name as written upon the face of this Warrant or with the name of the assignee appearing in the assignment from below in every particular without alteration or enlargement or any change whatever.

Name: _____
(Please Print or Typewrite)

_____
PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

Address: _____
(Street)

_____
(City) (State) (Zip Code)

*Signature Guaranteed: _____

ASSIGNMENT

For value received: _____ hereby sell, assign and transfer unto

_____ _____
(Please Print or Typewrite Name of Assignee) PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

_____
(Street Address) (City) (State) (Zip Code)

(_____) Warrants represented by the within Warrant Certificate, together with all right, title and interest therein, and do hereby irrevocably constitute and appoint _____ attorney to transfer said Warrant on the books of the within named Company, with full power of substitution in the premises, whatever.

Dated: Signature: _____

Note: the above signature must correspond with the name as written upon the face of this Warrant or with the name of the assignee appearing in the assignment from below in every particular without alteration or enlargement or any change whatever.

Name: _____

(Please Print or Typewrite)

_____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

*Signature Guaranteed: _____

* In case of assignment or if the Common Stock issued upon exercise is to be registered in the name of a person other than the holder, the holder's signature must be guaranteed by a commercial bank, trust company or an NASD member firm.

Exhibit 4.5

UNDERWRITER'S UNIT WARRANT AGREEMENT

UNDERWRITER'S UNIT WARRANT AGREEMENT dated as of February __, 2004, between Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), and The Shemano Group, Inc. (hereinafter referred to as the "Underwriter").

W I T N E S S E T H:

WHEREAS, pursuant to the terms of an Underwriting Agreement dated as of January _____, 30, 2004 (the "Underwriting Agreement") between the Underwriter and the Company, the Underwriter has agreed to purchase, in a public offering under the Securities Act of 1933, as amended (the "Act"), on a firm commitment basis (the "Offering"), One Million Three Hundred Fifty Thousand (1,350,00) units (the "Offered Units") at a public offering price of $6.00 per Offered Unit, each Offered Unit consisting of two (2) shares of the Company's common stock, par value $.001 per share (the "Common Shares") (each Common Share constituting part of an Offered Unit referred to as an "Offered Share"), and one (1) Common Share purchase warrant to purchase one (1) Common Share ("Offered Warrant"), with an option to purchase up to an additional Two Hundred Two Thousand Five Hundred (202,500) Offered Units for the purpose of covering over-allotments; and

WHEREAS, as additional consideration to the Underwriter for its services pursuant to the Underwriting Agreement, the Company has agreed to issue to the Underwriter a warrant ("Underwriter's Unit Warrant") to purchase up to an aggregate of 135,000 units (the "Underwriter's Units") with an exercise price equal to $7.20, each Underwriter's Unit consisting of two (2) Common Shares ("Underwriter's Shares") and one (1) warrant to purchase one Common Share ("Underwriter's Warrant"), having the same terms as the Offered Warrants, except that the exercise price of each Underwriter's Warrant shall be 180% of the price allocated to one Offered Share; and

NOW, THEREFORE, in consideration of the foregoing premises, the payment by the Underwriter to the Company of an aggregate of One Hundred Dollars and No Cents ($100.00), the agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant. The Underwriter, and/or its designees who are officers or partners (not directors) of the Underwriter or members of the selling group (the "Underwriter's Designees"), in connection with the Offering, are hereby granted the right to purchase, at any time from January 29, 2005 until 5:00 P.M., Eastern time, on January 29, 2009 (the "Warrant Exercise Term"), up to an aggregate of 135,000 Underwriter's Units at the initial exercise price (subject to adjustment

---

as provided in Section 8 hereof) of $7.20 per Underwriter's Unit (the "Unit Exercise Price"). Notwithstanding the foregoing, the Warrants shall become immediately exercisable upon a Change in Control (as defined in Section 12(d) herein) of the Company. The Underwriter's Shares issuable upon exercise of the Underwriter's Warrants are in all respects identical to the Common Shares being purchased by the Underwriter for resale to the public pursuant to the terms and provisions of the Underwriting Agreement.

2. Underwriter's Unit Warrant Certificates. The Underwriter's warrant certificates (the "Underwriter's Unit Warrant Certificates") delivered and to be delivered pursuant to this Agreement shall be in the form set forth in Exhibit A, attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions, and other variations as required or permitted by this Agreement.

3. Exercise of Underwriter's Unit Warrants. The Underwriter's Unit Warrants initially are exercisable at an initial exercise price per Underwriter's Unit as set forth in Section 6 hereof, payable by electronic wire transfer, subject to adjustment as provided in Section 8 hereof, provided such Underwriter's Warrants shall be exercised in minimum amounts equal to the lesser of 2,500 Units or the amount of Units owned by the Holder. Upon surrender at the Company's principal offices (presently located at 28 Cottrell Street, Mystic, CT 06355), of an Underwriter's Unit Warrant and a completed and executed form of Election to Purchase (in the form of Exhibit B attached hereto), together with payment of the purchase price for the number of Underwriter's Units purchased, the registered holder of an Underwriter's Unit Warrant ("Holder" or "Holders") shall be entitled to receive a certificate or certificates for the Underwriter's Units so purchased. The Underwriter's Shares and the Underwriter's Warrants comprising the Underwriter's Units shall consist of the same Offered Shares and Offered Warrants as being sold to the public in the Offering, and shall contain the same terms and conditions and rights, and the Underwriter's Warrant obtained upon exercise of the Underwriter's Unit Warrant shall have an exercise price of $5.40 per Underwriter's Warrant (the "Warrant Exercise Price"). The purchase rights represented by each Underwriter's Unit Warrant are exercisable at the option of the Holder thereof, in whole or in part, provided such Underwriter's Warrants shall be exercised subject to the minimum requirements set forth in this Section 3. In the case of the purchase of less than all the Underwriter's Units purchasable under any Underwriter's Unit Warrant, the Company shall cancel the Underwriter's Unit Warrant upon the surrender thereof and shall execute and deliver a new Underwriter's Unit Warrant of like tenor for the balance of the Underwriter's Units purchasable thereunder. The Unit Exercise Price and the Warrant Exercise Price are hereinafter sometimes collectively referred to as the "Exercise Price". Upon separation of the Units, the minimum amounts to be exercised shall be equal to the lesser of (i) 5,000 Common Shares or 2,500 Underwriter's Warrants or (ii) the amount of Common Shares or Underwriter's Warrants, as the case may be, owned by the Holder. All numbers in this Section 3 shall be subject to adjustment in accordance with Section 8.

4. Issuance of Certificates. Upon the exercise of the Underwriter's Unit Warrant, the issuance of certificates for the Underwriter's Warrants and Underwriter's Shares or other securities, properties or rights underlying such Underwriter's Unit Warrant shall be made forthwith (and in any event within five (5) business days thereafter) without charge to the Holder thereof including, without limitation, any tax which may be payable in respect of the issuance thereof, and such certificates shall (subject to the provisions of Sections 5 and 7 hereof) be issued in the name of, or in such names as may be directed by, the Holder thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the Underwriter and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

The Underwriter's Unit Warrants and the certificates representing the Underwriter's Warrants and Underwriter's Shares issuable upon exercise of the Underwriter's Unit Warrant shall be executed on behalf of the Company in the same manner as the certificates for the Offered Shares and Offered Warrants. The Underwriter's Unit Warrants shall be dated the date of the execution by the Company upon initial issuance, division, exchange, substitution or transfer. The certificates representing the Underwriter's Shares and Underwriter's Warrants issuable upon exercise of the Underwriter's Unit Warrants shall be identical in form and substance to the Offered Shares and Offered Warrants, including the terms of redemption for the Offered Warrants sold to the public.

5. Restriction on Transfer of Underwriter's Unit Warrant. The Holder of a Underwriter's Unit Warrant, by its acceptance thereof, covenants and agrees that the Underwriter's Unit Warrant is being acquired as an investment and not with a view to the distribution thereof; and that the Underwriter's Unit Warrant may not be sold, transferred, assigned, hypothecated or otherwise disposed of, in whole or in part, for a period of one year from January 29, 2004, the effective date of the Offering (the "Effective Date"), except to the Underwriter's Designees and/or their officers or partners as required for compliance with NASD Rule 2710(c)(7)(A), and upon presentment of a properly executed Form of Assignment in the form set forth on Exhibit C attached hereto and made a part hereof.

6. Exercise Price.

6.1 Initial and Adjusted Exercise Price. Except as otherwise provided in Section 8 hereof, the initial exercise price of each Underwriter's Unit Warrant shall be $7.20 per Underwriter's Unit. The exercise price of the Underwriter's Warrant and the number of Underwriter's Shares to be received upon exercise of the Underwriter's Unit Warrant shall be subject to adjustment as provided in Section 8 hereof.

---

7. Registration Rights.

7.1 Demand Registration Under the Securities Act of 1933. At any time commencing after January 29, 2005 through and including January 29, 2009, the Underwriter and all other Holders of the Underwriter's Unit Warrants, Underwriter's Shares, Underwriter's Warrants or the Common Shares underlying the Underwriter's Warrants, representing a majority of the Common Shares issuable upon the exercise of the Units (assuming the exercise of all of the Underwriter's Unit Warrants) shall have the right (which right is in addition to the registration rights under Section 7.2 hereof), exercisable by written notice to the Company, to have the Company prepare and file with the Securities and Exchange Commission (the "Commission"), on one occasion, a registration statement and such other documents, including a prospectus, as may be necessary in the opinion of both counsel for the Company and counsel for the Underwriter and the Holders, in order to comply with the provisions of the Act, so as to permit a public offering and sale of their respective Underwriter's Shares or Underwriter's Warrants and during a period equal to the longer of: (i) nine (9) months or (ii) the unexpired term of the Underwriter's Warrants by such Holders and any other Holders of the Underwriter's Unit Warrant who shall notify the Company within ten (10) days after receiving notice from the Company of such request.

7.2 Piggyback Registration.

(a) If, at any time commencing after January 29, 2005, through and including January 29, 2011, the Company proposes to register any of its securities under the Act (other than in connection with a merger or similar transaction with a filing on a Form S-4 or pursuant to Form S-8 or similar form) it will give written notice by registered or certified mail, at least thirty (30) days prior to the filing of each such registration statement, to the Underwriter and to all other Holders of the Underwriter's Unit Warrants, Underwriter's Units, Underwriter's Shares, Underwriter's Warrants or the Common Shares underlying the Underwriter's Warrants, of its intention to do so. If the Underwriter or any of the other Holders of the Underwriter's Unit Warrants, Underwriter's Units, Underwriter's Shares, Underwriter's Warrants or the Common Shares underlying the Underwriter's Warrants notify the Company within twenty (20) days after receipt of any such notice of its or their desire to include any such securities in such proposed registration statement, the Company shall afford each of the Underwriter and such Holders of the Underwriter's Unit Warrants, Underwriter's Units, Underwriter's Shares, Underwriter's Warrants or the Common Shares underlying the Underwriter's Warrants, the opportunity to have any of such securities registered under such registration statement.

(b) If any Holder shall request inclusion of any securities held by such Holder in the registration of other securities of the Company and such proposed registration by the Company is, in whole or in part, an underwritten public offering, and if the managing underwriter determines and advises the Company in writing that inclusion in such registration of all proposed securities (including securities being offered by or on behalf of the Company and securities

covered by requests for registration) would materially adversely affect the marketability of the offering of the securities proposed to be registered by the Company, then such Holder shall be entitled to participate pro rata (based on the number of shares owned by the respective Holders) with the other Holders having similar piggyback registration rights with respect to such registration to the extent the managing underwriter determines that such securities may be included without such material adverse effect.

(c) Notwithstanding the provisions of this Section 7.2, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 7.2 (irrespective of whether a written request for inclusion of any such securities shall have been made) to elect not to file any such proposed registration statement, or to withdraw the same after the filing but prior to the effective date thereof.

7.3. Notice to Be Delivered. The Company covenants and agrees to give written notice of any registration request under Section 7.1 by the Underwriter or any Holder or Holders to the Underwriter and to all other Holders of the Underwriter's Unit Warrants, Underwriter's Units, Underwriter's Shares, Underwriter's Warrants and the Common Shares underlying the Underwriter's Warrants within ten (10) days from the date of the receipt of any such registration request.

7.4. Covenants of the Company With Respect to Registration. In connection with any registration under Section 7.1 or 7.2 hereof, the Company covenants and agrees as follows:

(a) The Company shall use its best efforts to file a registration statement within forty-five (45) days of receipt of any demand therefor in accordance with Section 7.1, shall use its best efforts to have any registration statement declared effective at the earliest practicable time, and shall furnish to the Underwriter and each Holder desiring to sell the Underwriter's Shares, Underwriter's Warrants, the Common Shares underlying the Underwriter's Warrants or any other securities held by the Underwriter or the other Holders as a result of any adjustment made pursuant to the provisions of Sections 8.1 or 8.2 hereof (collectively, the "Registrable Securities"), such number of prospectuses as shall reasonably be requested.

(b) The Company shall pay all costs (excluding fees and expenses of the Underwriter's and the other Holders' counsel and any underwriting or selling commissions), fees and expenses in connection with all registration statements filed pursuant to Sections 7.1 and 7.2 hereof including, without limitation, the Company's legal and accounting fees, printing expenses, and blue sky fees and expenses. If the Company shall fail to comply with the provisions of Section 7.4, the Company shall, in addition to any other equitable or other relief available to the Underwriter and the other Holders, be liable for any or all actual damages (which may include damages due to a loss of profit).

(c) The Company will take all necessary action which may be required in qualifying or registering the Registrable Securities included in a registration statement for offering and sale under the securities or blue sky laws of such states as reasonably are requested by the Underwriter and the other Holders, provided that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

(d) The Company shall indemnify the Underwriter and all other Holders of the Registrable Securities to be sold pursuant to any registration statement and each person, if any, who controls such Underwriter or Holders within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), against all loss, claim, damage, expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the 1934 Act or otherwise, arising from such registration statement to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify the Underwriter in Section 5 of the Underwriting Agreement and to provide for just and equitable contribution as set forth in Section 6 of the Underwriting Agreement.

(e) The Underwriter and all other Holders of the Registrable Securities to be sold pursuant to a registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, its officers and directors and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the 1934 Act, against all loss, claim, damage or expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the 1934 Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in Section 5 of the Underwriting Agreement pursuant to which the Underwriter has agreed to indemnify the Company and to provide for just and equitable contribution as set forth in Section 6 of the Underwriting Agreement.

(f) Nothing contained in this Agreement shall be construed as requiring the Underwriter or other Holders to exercise their Underwriter's Unit Warrants or the Underwriter's Warrants prior to the initial filing of any registration statement or the effectiveness thereof.

(g) The Company shall deliver promptly to the Underwriter and all other Holders of the Registrable Securities participating in the offering copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to

discussions with the Commission or its staff with respect to the registration statement and permit the Underwriter and the other Holders of the Registrable Securities to do such investigation, upon

reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the National Association of Securities Dealers, Inc. ("NASD"); provided that the Underwriter and each such holder of the Registrable Securities agrees not to disclose such information without the prior written consent of the Company. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as the Underwriter and any other Holder of the Registrable Securities shall reasonably request.

(h) If required by the underwriters in connection with an underwritten offering which includes Registrable Securities pursuant to this Section 7, the Company shall enter into an underwriting agreement with one or more underwriters selected for such underwriting. Such underwriting agreement shall be satisfactory in form and substance to the Company, the Underwriter and each other Holder of the Registrable Securities, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the underwriters. If required by the underwriters, the Underwriter and the other Holders of the Registrable Securities shall be parties to any underwriting agreement relating to an underwritten sale of their Registrable Securities and may, at their option, require that any or all the representations and warranties of the Company to or for the benefit of such underwriters shall, to the extent that they may be applicable, also be made to and for the benefit of the Underwriter and the other Holders of the Registrable Securities. The Underwriter and the other Holders of the Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to the Underwriter and the other Holders of the Registrable Securities and their intended methods of distribution.

(i) In connection with any registration statement filed pursuant to Section 7 hereof, the Company shall furnish, or cause to be furnished, to the Underwriter and each Holder participating in any underwritten offering and to each underwriter, a signed counterpart, addressed to the Underwriter, such Holder or underwriter, of (i) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under the underwriting agreement), and (ii) a "cold comfort" letter, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities.

(j) The Company shall promptly notify the Underwriter and each Holder of the Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, upon the Company's discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and upon receipt of such notice the Underwriter and each Holder shall not effect any sale of securities and shall immediately cease utilizing or distributing such prospectus. At the request of the Underwriter or any such Holder, the Company shall promptly prepare and furnish to the Underwriter or such Holder and each underwriter, if any, a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

(k) For purposes of this Agreement, the term "majority" in reference to the Underwriter and the other Holders of the Underwriter's Unit Warrants, Underwriter's Units, Underwriter's Shares, Underwriter's Warrants or the Common Shares underlying the Underwriter's Warrants, shall mean in excess of fifty percent (50%) of the then outstanding Underwriter's Warrants and Underwriter's Shares that have not been resold to the public pursuant to Rule 144 under the Act or a registration statement filed with the Commission under the Act.

8. Adjustments to Exercise Price and Number of Securities.

8.1 Adjustments to Underwriter's Warrants. The Exercise Price of the Underwriter's Warrants and number of securities issuable with respect to the Underwriter's Warrants shall be adjusted on the same terms and conditions, and at the same time, as any adjustments in the Exercise Price and number of shares issuable with respect to the Offered Warrants required by the terms of the Offered Warrants.

8.2 Adjustment to Number of Underwriter's Shares. The number of Underwriter's Shares to be received upon exercise of the Underwriter's Unit Warrants shall be subject to adjustment as follows:

(a) In the event that the number of outstanding Common Shares is increased by a stock dividend payable in Common Shares or by

a subdivision of the outstanding Common Shares, then, from and after the effective time of such increase by reason of such dividend or subdivision, the number of Common Shares issuable upon the exercise of each Underwriter's Unit Warrant shall be increased in proportion to such increase in outstanding shares. In the event

that the number of Common Shares outstanding is decreased by a combination of the outstanding Common Shares, then, from and after the effective time of such decrease by reason of such combination, the number of Common Shares issuable upon the exercise of each Underwriter's Unit Warrant shall be decreased in proportion to such decrease in the outstanding Common Shares.

(b) In case of any reorganization or reclassification of the outstanding Common Shares (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination), or in case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification of the outstanding Common Shares), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Holder of each Underwriter's Unit Warrant then outstanding shall thereafter have the right to purchase the kind and amount of Common Shares and other securities and property receivable upon such reorganization, reclassification, consolidation, merger, sale or conveyance by a holder of the number of Common Shares that the Holder of such Underwriter's Unit Warrant shall then be entitled to purchase; such adjustments shall apply with respect to all such changes occurring between the date of this Agreement and the date of exercise of such Underwriter's Unit Warrant.

(c) Subject to the provisions of this Section 8, in case the Company shall, at any time prior to the exercise of the Underwriter's Unit Warrants or Underwriter's Warrants, make any distribution of its assets to holders of its Common Shares as a liquidating or a partial liquidating dividend, then the Holders of Underwriter's Unit Warrants or Underwriter's Warrants who exercises its Underwriter's Unit Warrants or Underwriter's Warrants after the record date for the determination of those holders of Common Shares entitled to such distribution of assets as a liquidating or partial liquidating dividend shall be entitled to receive for the Unit Exercise Price per Underwriter's Unit or the Warrant Exercise Price per Underwriter's Warrant, in addition to each Common Share, the amount of such distribution or, at the option of the Company, a sum equal to the value of any such assets at the time of such distribution as determined by the Board of Directors of the Company in good faith, which would have been payable to such Holder had such Holder been the holder of record of the Common Shares receivable upon exercise of its Underwriter's Unit Warrant or Underwriter's Warrant on the record date for the determination of those entitled to such distribution.

(d) In case of the dissolution, liquidation or winding up of the Company, all rights under the Underwriter's Unit Warrants shall terminate on a date fixed by the Company, such date to be no earlier than ten (10) days prior to the effectiveness of such dissolution, liquidation or winding up and not later than five (5) days prior to such effectiveness. Notice of such termination of purchase rights shall be given to the last registered holder of the Underwriter's Unit Warrants, as the same shall appear on the books of the Company maintained by the Warrant Agent, by registered mail at least thirty (30) days prior to such termination date.

(e) In case the Company shall, at any time prior to the expiration of the Underwriter's Unit Warrants and prior to the exercise thereof, offer to the holders of its Common Shares any rights to subscribe for additional shares of any class of capital stock of the Company, then the Company shall give written notice thereof to the registered holders of the Underwriter's Unit Warrants not less than thirty (30) days prior to the date on which the books of the Company are closed or a record date is fixed for the determination of the stockholders entitled to such subscription rights. Such notice shall specify the date as to which the books shall be closed or the record date fixed with respect to such offer of subscription and the right of the holders of the Underwriter's Unit Warrants to participate in such offer of subscription shall terminate if the Underwriter's Unit Warrant shall not be exercised on or before the date of such closing of the books or such record date.

(f) Any adjustment pursuant to the aforesaid provisions of this Section 8 shall be made on the basis of the number of Common Shares that the holder thereof would have been entitled to acquire upon the exercise of the Underwriter's Unit Warrant immediately prior to the event giving rise to such adjustment.

9. Exchange and Replacement of Underwriter's Unit Warrants. Each Underwriter's Unit Warrant is exchangeable without expense, upon the surrender thereof by the registered Holder at the principal executive office of the Company, for a new Underwriter's Unit Warrant of like tenor and date representing in the aggregate the right to purchase the same number of Underwriter's Shares and Underwriter's Warrants as provided in the original Underwriter's Unit Warrant in such denominations as shall be designated by the Holder thereof at the time of such surrender.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Underwriter's Unit Warrant, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of the Underwriter's Unit Warrant, if mutilated, the Company will make and deliver a new Underwriter's Unit Warrant of like tenor, in lieu thereof.

10. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Underwriter's Shares upon the exercise of the Underwriter's Unit Warrant. However, if a holder of an Underwriter's Unit Warrant exercises all warrants then owned of record by such holder and such exercise would result in the issuance of a fractional share, the Company will pay to such holder, in lieu of the issuance of any fractional share otherwise issuable, an amount of cash based on the market value of the Common Shares of the Company on the last trading day prior to the exercise date.

11. Reservation and Listing of Securities. The Company shall at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issuance upon the exercise of the Underwriter's Unit Warrant and Underwriter's Warrants, such number of Common Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Underwriter's Unit Warrant and/or the Underwriter's Warrants and payment of the Exercise Price therefor, all Underwriter's Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as the Underwriter's Unit Warrant and/or Underwriter's Warrants shall be outstanding, the Company shall use its best efforts to cause all Underwriter's Units, Underwriter's Shares, Underwriter's Warrants and all Common Shares issuable upon the exercise of the Underwriter's Warrants to be listed (subject to official notice of issuance) on all securities exchanges on which the Common Shares may then be listed and/or quoted on the American Stock Exchange (the "AMEX").

12. Notices to Underwriter's Unit Warrant Holders. Nothing contained in this Agreement shall be construed as conferring upon the Holders the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Underwriter's Unit Warrant or Underwriter's Warrants and their exercise, any of the following events shall occur:

(a) the Company shall take a record of the holders of its Common Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or

(b) the Company shall offer to all the holders of its Common Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed; or

(d) a Change in Control of the Company occurs;

then, in any one or more of such events the Company shall give written notice of such event at least twenty (20) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall not affect the validity of any action taken in connection with the declaration or payment of any such dividend, distribution or the issuance of any convertible or exchangeable securities, or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale. A "Change of Control" occurs when (a) the Company merges or consolidates with another corporation or entity; (b) a person or group other than certain of the Company's existing stockholders becomes the beneficial owner of 25% or more of the aggregate voting power of the Company; or (c) during any period of two consecutive calendar years, certain changes in the composition of the Company's present Board of Directors occur, including any plans or proposals to change the number or term of Directors or to fill any existing vacancies on the Board, except for the possible addition by the Company of one or more independent directors to its Board of Directors.

13. Notices. All notices requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to the registered Holder of Registrable Securities, to the address of such Holder as shown on the books of the Company; or

(b) If to the Underwriter, to the address set forth in Section 12 of the Underwriting Agreement; or

(c) If to the Company, to the address set forth in Section 3 hereof or to such other address as the Company may designate by notice to the Holders.

14. Supplements and Amendments. The Company and the Underwriter may from time to time supplement or amend this Agreement without the approval of any holders of Underwriter's Unit Warrants (other than the Underwriter) in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any provisions herein or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Underwriter may deem necessary or desirable and which the Company and the Underwriter deem shall not adversely affect the interests of the Holders of Registrable Securities.

15. Successors. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Company, the Underwriter, the Holders of Registrable Securities and their respective successors and assigns hereunder.

16. Termination. This Agreement shall terminate at the close of business on January 29, 2011. Notwithstanding the foregoing, the indemnification provisions of Section 7 shall survive such termination until the close of business on January 29, 2012.

17. Governing Law; Submission to Jurisdiction.

(a) This Agreement and each Underwriter's Unit Warrant issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State without giving effect to the rules of said State governing the conflicts of laws.

(b) The Company, the Underwriter and the Holders hereby agree that any action, proceeding or claim against it arising out of, or relating in any way to, this Agreement shall be brought and enforced in the New York State Supreme Court, County of New York, or of the United States of America for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company, the Underwriter and the Holders hereby irrevocably waive any objection to such exclusive jurisdiction or inconvenient forum. Any such process or summons to be served upon any of the Company, the Underwriter and the Holders (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address determined in accordance with Section 13 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim. The Company, on the one hand, and the Underwriter and the Holders, on the other hand, agree that the prevailing party(ies) in any such action or proceeding shall be entitled to recover from the other party(ies) all of its/their reasonable legal costs and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

18. Entire Agreement; Modification. This Agreement (including the Underwriting Agreement to the extent portions thereof are referred to herein) contains the entire understanding between the parties hereto with respect to the subject matter hereof and, except as provided in Section 14 hereof, may not be modified or amended except by a writing duly signed by the party against whom enforcement of the modification or amendment is sought. Any terms not otherwise defined herein shall have the meaning ascribed to such term in the Underwriting Agreement.

19. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement.

20. Captions. The caption headings of the Sections of this Agreement are for convenience of reference only and are not intended, nor should they be construed as, a part of this Agreement and shall be given no substantive effect.

21. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and the Underwriter and any other registered Holders of the Registrable Securities any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and the Underwriter and any other Holders of the Registrable Securities.

22. Preservation of Rights. The Company will not, by amendment of its articles of incorporation or through any consolidation, merger, reorganization, transfer of assets, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Agreement or the Underwriter's Unit Warrants or the Underwriter's Warrants or the rights represented hereby or thereby, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Underwriter and all other Holders of the Underwriter's Unit Warrants and the Underwriter's Warrants against dilution or other impairment.

23. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Underwriter's Unit Warrant Agreement to be duly executed, as of the day and year first above written.

[SEAL] FLIGHT SAFETY TECHNOLOGIES, INC.

By:_____
Name:
Title

Attest:

Secretary

Agreed and accepted as of
the date first above written:

THE SHEMANO GROUP, INC.,
the Underwriter

By:_____

Name:

Title:

EXHIBIT A

[FORM OF UNDERWRITER'S UNIT WARRANT CERTIFICATE]

THE UNDERWRITER'S UNIT WARRANT REPRESENTED BY THIS CERTIFICATE AND THE OTHER SECURITIES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, (ii) TO THE EXTENT APPLICABLE, RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (iii) AN OPINION OF COUNSEL, IF SUCH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR THE ISSUER, THAT AN

EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE.

THE TRANSFER OR EXCHANGE OF THE UNDERWRITER'S UNIT WARRANT REPRESENTED BY THIS CERTIFICATE IS RESTRICTED IN ACCORDANCE WITH THE UNDERWRITER'S UNIT WARRANT AGREEMENT FOR UNITS REFERRED TO HEREIN.

EXERCISABLE ON OR BEFORE
5:00 P.M., EASTERN TIME, ____, 2009

No. ___ _____Underwriter's Unit Warrant

UNDERWRITER'S UNIT WARRANT

This Underwriter's Unit Warrant certifies that The Shemano Group, Inc., or registered assigns, is the registered holder of _____ Underwriter's Unit Warrants to purchase initially, at any time from _____, 2005 until 5:00 p.m. Eastern time on _____, 2009 (the "Expiration Date"), up to _____ Units (the "Underwriter's Units") of Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), at an initial exercise price, subject to adjustment in certain events (the "Exercise Price"), of $____ per Underwriter's Unit [120% of the exercise price of an Offered Unit] upon surrender of this Underwriter's Unit Warrant and payment of the Exercise Price at an office or agency of the Company, but subject to the conditions set forth herein and in the Underwriter's Unit Warrant Agreement dated as of _____, 2004, between the Company and The Shemano Group, Inc. (the "Underwriter's Unit Warrant Agreement"). Payment of the Exercise Price shall be made by electronic wire transfer, payable to the order of the Company.

No Underwriter's Unit Warrant may be exercised after 5:00 p.m., Eastern time, on the Expiration Date, at which time all Underwriter's Unit Warrants evidenced hereby, unless exercised prior thereto, shall thereafter be void.

The Underwriter's Unit Warrant evidenced by this Underwriter's Unit Warrant Certificate are part of a duly authorized issue of Underwriter's Units pursuant to the Underwriter's Unit Warrant Agreement, which Underwriter's Unit Warrant Agreement is hereby incorporated by reference herein and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the Holders (the words "Holders" or "Holder" meaning the registered holders or registered holder) of the Underwriter's Unit Warrant.

The Underwriter's Unit Warrant Agreement provides that upon the occurrence of certain events the exercise prices and/or number of the Company's securities issuable thereupon may, subject to certain conditions, be adjusted. In such event, the Company will, at the request of the holder, issue a new Underwriter's Unit Warrant Certificate evidencing the adjustment in the exercise price and the number and/or type of securities issuable upon the exercise of the Underwriter's Unit Warrant; provided, however, that the failure of the Company to issue such new Underwriter's Unit Warrants shall not in any way change, alter or otherwise impair, the rights of the holder as set forth in the Underwriter's Unit Warrant Agreement.

Upon due presentment for registration of transfer of this Underwriter's Unit Warrant at an office or agency of the Company, a new Underwriter's Unit Warrant or Underwriter's Unit Warrants of like tenor and evidencing in the aggregate a like number of Underwriter's Unit Warrants shall be issued to the transferee(s) in exchange for this Underwriter's Unit Warrant, subject to the limitations provided herein and in the Underwriter's Unit Warrant Agreement, without any charge except for any tax or other governmental charge imposed in connection with such transfer.

Upon the exercise of less than all of the Underwriter's Unit Warrants evidenced by this Certificate, the Company shall forthwith issue to the holder hereof a new Underwriter's Unit Warrant Certificate representing such number of unexercised Underwriter's Unit Warrants.

The Company may deem and treat the registered holder(s) hereof as the absolute owner(s) of this Underwriter's Unit Warrant (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, and of any distribution to the holder(s) hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

All terms used in this Underwriter's Unit Warrant that are defined in the Underwriter's Unit Warrant Agreement shall have the meanings assigned to them in the Underwriter's Unit Warrant Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Underwriter's Unit Warrant to be duly executed under its corporate seal.

Dated as of _____, 2004

[SEAL] FLIGHT SAFETY TECHNOLOGIES, INC.

By:_____
Name:
Title:

Attest:

Secretary

EXHIBIT B

[FORM OF ELECTION TO PURCHASE]

The undersigned hereby irrevocably elects to exercise the right, represented by this Underwriter's Unit Warrant, to purchase _____ Units and herewith tenders in payment for such securities cash or a certified check payable to the order of Flight Safety Technologies, Inc. in the amount of $_____, all in accordance with the terms hereof. The undersigned requests that a certificate for such securities be registered in the name of _____ whose address is _____ and that such certificate be delivered to _____ whose address is _____.

Dated:

_____
Name of Registered Owner

_____
Signature of Registered Owner
(Signature must conform in all respects to name of holder as specified on the face of the Underwriter's Unit Warrant.)

_____
Street Address

_____
City, State, Zip

_____
IRS Identification Number/Social Security Number

EXHIBIT C

[FORM OF ASSIGNMENT]

(To be executed by the registered holder if such holder desires to transfer the Underwriter's Unit Warrant Certificate.)

FOR VALUE RECEIVED, the undersigned registered owner of this Underwriter's Unit Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights, title and interest therein of the undersigned under the within Underwriter's Unit Warrant, with respect to the number of Underwriter's Units set forth below:

NAME OF ASSIGNEE	ADDRESS	NUMBER OF UNITS

and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the within Underwriter's Unit Warrant Certificate on the books of Flight Safety Technologies, Inc., maintained for the purpose, with full power of substitution in the premises. The undersigned understands that compliance with the provisions of the Underwriter's Unit Warrant is necessary to effect any assignment or transfer.

Dated:

_____
Signature of Registered Owner
(Signature must conform in all respects to name of holder as specified on the face of the Underwriter's Unit Warrant Certificate.)

_____
Name of Registered Owner

_____
IRS Identification Number/Social Security Number

Exhibit 4.6

SPECIMEN OF COMMON STOCK CERTIFICATE

-

NUMBER **SHARES**

Flight Safety Technologies, Inc.

INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA
50,000,000 SHARES COMMON STOCK AUTHORIZED, $.001 PAR VALUE

CUSIP 33942T207
See Reverse for Certain Definitions

This certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

Flight Safety Technologies, Inc.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are subject to the laws of the State of Nevada, and to the Articles of Incorporation and Bylaws of the Corporation, as now or hereafter amended. This certificate is not valid unless countersigned by the Transfer Agent.
WITNESS the facsimile seal of the Corporation and the signature of its duly authorized officers.

Dated:

/s/ William B. Cotton
PRESIDENT

[SEAL]

/s/ David D. Cryer
SECRETARY

Countersigned: Pacific Stock Transfer Company
500 E. Warm Springs Road, Suite 240
Las Vegas, Nevada 89119

By: /s/ Valerie Killius
Authorized Signature

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT----------Custodian----------
TEN ENT	- - as tenants by the entireties	-
JT TEN	- - as joint tenants with the right of survivorship and not as tenants in common	(Cust) (Minor)
		Act----------
		(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)	
	shares
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint, Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.	
Dated	
X	
THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER. THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions)	

SIGNATURE GUARANTEED:

TRANSFER FEE WILL APPLY

Exhibit 23.1

Accountants' Consent

We consent to the incorporation by reference in this registration statement (Form SB-2) of Flight Safety Technologies, Inc. of our report dated July 9, 2003, except for note 11 as to which the date is January 8, 2004 included in the 2003 Annual Report to the Shareholders of Flight Safety Technologies, Inc.

/s/ Kostin, Ruffkess & Company, LLC
Kostin, Ruffkess & Company, LLC
Farmington, Connecticut
January 30, 2004