

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For The Quarterly Period Ended February 29, 2004



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number: 000-33305



FLIGHT SAFETY TECHNOLOGIES, INC.



(Exact name of Company as specified in its charter)

Nevada



(State of Incorporation)

95-4863690



(I.R.S. Employer ID No.)

28 Cottrell Street, Mystic, Connecticut 06355



(Address of principal executive offices and Zip Code)

(860) 245-0191



(Company's telephone number, including area code)



(Former name or former address, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The number of shares of common stock outstanding as of February 29, 2004 was 8,331,410 shares

Transitional Small Business Disclosure Format: Yes  No

FLIGHT SAFETY TECHNOLOGIES, INC.  
INDEX

	<u>Page</u> <u>No</u>
<u>PART I. FINANCIAL INFORMATION</u>	1
Item 1. <u>Financial Statements</u>	1
a) <u>Balance Sheets as of February 29, 2004 and May 31, 2003</u>	1
b) <u>Statements of Operations for the Three and Nine Month Period Ended February 29, 2004 and February 28, 2003</u>	2
c) <u>Statements of Cash Flow for the Nine Months Ended February 29, 2004 and February 28, 2003</u>	3
d) <u>Notes to Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	6
Item 3. <u>Controls and Procedures</u>	13
<u>PART II. OTHER INFORMATION</u>	14
Item 6. <u>Exhibits and Reports on Form 8-K</u>	30
<u>SIGNATURES</u>	31

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## FLIGHT SAFETY TECHNOLOGIES, INC.

Balance Sheets  
February 29, 2004 and May 31, 2003(Unaudited)  
February 29, 2004 (Audited)  
May 31, 2003

## Assets

## Current assets:

Cash	\$ 9,829,711	\$ 1,039,693
------	--------------	--------------

Contract receivables	339,021	155,833
----------------------	---------	---------

Other receivables	168,937	56,859
-------------------	---------	--------

Other current assets	45,012	24,728
----------------------	--------	--------

Total current assets	10,382,681	1,277,113
----------------------	------------	-----------

Property and equipment, net of accumulated depreciation of \$194,190 and \$138,924, respectively	266,239	111,879
--	---------	---------

Intangible assets, net of accumulated amortization of \$29,538 and \$23,348, respectively	151,952	130,834
---	---------	---------

	\$ 10,800,872	\$ 1,519,826
--	---------------	--------------

## Liabilities and Stockholders' Equity

## Current liabilities:

Accounts payable	623,741	245,678
------------------	---------	---------

Accrued expenses	146,235	126,807
------------------	---------	---------

Total current liabilities	769,976	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, 8,331,410, 4,919,035 respectively issued and outstanding	8,331	4,919
---	-------	-------

Additional paid-in-capital	12,989,543	3,697,461
Unearned stock compensation	(71,004)	(96,192)
Accumulated deficit	(2,895,974)	(2,460,023)
	10,030,896	1,146,165
	\$ 10,800,872	\$ 1,519,826

The accompanying notes are an integral part of these financial statements

**FLIGHT SAFETY TECHNOLOGIES, INC.**

**Statements of Operations  
(Unaudited)  
For The Three and Nine Month Period Ended February 29, 2004 and February 28, 2003**

	Three Months 2004	Nine Months 2004	Three Months 2003	Nine Months 2003
Contract Revenues	\$ 1,008,923	\$ 2,303,390	\$ 487,299	\$ 527,131
Cost and expenses:				
Cost of revenues	621,909	1,533,721	350,194	374,284
Research and development	60,990	137,647	8,375	25,198
Selling, general and administrative	293,399	1,005,976	270,892	809,620
Depreciation and amortization	23,534	61,456	13,806	41,356
	999,932	2,738,800	643,267	1,250,458
Income (Loss) from operations	9,091	(435,410)	(155,968)	(723,327)
Other income (Expense):				
Interest income	4,669	7,462	1,831	7,601

Interest expense	--	--		(2,232)
	4,669	7,462	1,831	5,369
Income (Loss) before provision for income taxes	13,760	(427,948)	(154,137)	(717,958)
Provision for income taxes	7,349	8,003	846	846
Net Income (Loss)	\$ 6,411	\$ (435,951)	\$ (154,983)	\$ (718,804)
Net Income (Loss) per share				
Basic	\$ .00	\$ (.08)	\$ (.03)	\$ (.20)
Weighted Average Number of Shares Outstanding				
Basic	6,097,884	5,481,608	4,920,077	3,624,411

The accompanying notes are an integral part of these financial statements

**FLIGHT SAFETY TECHNOLOGIES, INC.**

**Statements of Cash Flow  
(Unaudited)  
For The Nine Months Ended February 29, 2004 and February 28, 2003**

	2004	2003
Cash flows from operating activities:		
Net loss	\$ (435,951)	\$ (718,804)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	61,456	41,356
Non-cash compensation - common stock	25,188	18,414
Assumption of Debt Upon Acquisition	--	(31,170)
Changes in operating assets and liabilities:		
(Increase) decrease in contract receivables	(183,188)	(166,036)
(Increase) decrease in other receivables	(112,078)	--
(Increase) decrease in other current assets and other assets	(20,284)	(23,376)
Increase (decrease) in accounts payable and accrued expense	397,491	198,858
Net cash used in operating activities	(267,366)	(680,758)
Cash flows from investing activities:		
Purchases of property and equipment	(209,626)	(405)
Payments for patents and other costs	(27,308)	(25,608)
Net cash used in investing activities	(236,934)	(26,013)
Cash flows from financing activities:		
Proceeds from previously restricted cash	--	200,000
Proceeds from repayment of loans to officers	--	17,400
Net proceeds (payment)/line of credit	--	(90,000)
Proceeds from issuance of common stock net of costs	9,294,318	1,529,643
Net cash provided by financing activities	9,294,318	1,657,043
Net increase (decrease) in cash and cash equivalents	8,790,018	950,272
Cash and cash equivalents at beginning of year	1,039,693	277,870

Cash and cash equivalents at end of quarter	\$ 9,829,711	\$ 1,228,142

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 Nine Months Ended February 29, 2004 and February 28, 2003**

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 nine months ended February 29, 2004 and February 28, 2003 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 \$1,234,512 and money market and investment accounts of \$8,595,199 as of February 29, 2004. Money market and investment accounts earn interest at an average of approximately 1.8% (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 \$181,490 with accumulated amortization of \$29,538. Amortization expense for the nine months ended February, 29 2004 was \$6,390. Amortization expense for each of the next five years is expected to be approximately \$9,811.

4

## **FLIGHT SAFETY TECHNOLOGIES, INC.**

### **Notes To The Financial Statements (Unaudited)**

**For The Nine Months Ended February 29, 2004 and February 28, 2003**

#### **Note 2. Interim Financial Information (Unaudited):**

The interim financial statements of the Company for the three months ended February 29, 2004 and 2003, 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 850,000 units, at a price of \$2.00 per unit with each unit consisting of one common share and one warrant for common stock exercisable at \$2.00 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 850,000 common stock warrants were exercised at \$2.00 resulting in additional proceeds to the Company of \$1,700,000. As of June 27, 2003, the Company had 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.

The Company completed a 3-for-1 reverse stock split effective December 31, 2003. On February 4, 2004, in conjunction with a public underwritten offering, the Company sold 1,350,000 units at \$6.00 per unit, each unit consisting of two shares of common stock and a warrant to purchase one share of common stock at \$3.30 a share. On February 13, 2004, the Company issued an additional 164,300 units at the request of the managing underwriter to cover over-allotments. As a result of these issuances, the common stock outstanding of the Company increased by 3,028,600 shares to 8,331,410 shares. The Company received gross proceeds of 9,085,800 and had expenses for this issuance of \$1,491,482 resulting in net proceeds from the issuances of \$7,594,318. The total cash position following these transactions is about \$9.8 million as of February 29, 2004. Below is a summary of shares outstanding.

Common stock of Company on February 28, 2003	14,757,104
Common Stock Warrants Exercised July 10 to August 8, 2003	850,000
Merger shares July 11, 2003 - minority shares tendered	294,129
Reverse Stock Split 3 for 1 - December 31, 2003	(10,598,423)
Common Stock Purchase - February 5, 2004	2,700,000
Common Stock Purchase - February 13, 2004	<u>328,600</u>
Total common stock issued and outstanding as of February 29, 2004	8,331,410

5



**Notes To The Financial Statements**  
**(Unaudited)**  
**For The Nine Months Ended February 29, 2004 and February 28, 2003**

**Note 3. Equity Transactions: (Continued)**

For the nine months ended February 29, 2004, 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.

**Note 4. 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 Nine Months**

**2003 2003**

Net Sales \$ 487,299 \$ 527,131

Operating Expenses \$ (643,267) \$ (1,250,458)

Net Loss \$ (154,983) \$ (718,804)

Net Loss Per Share \$ (.03) \$ (.20)

**Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations**

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 10-QSB for the three month period ending February 29, 2004, 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 Form 10-QSB 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 10-QSB, 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 10-QSB 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.

**Overview**

Our current operations, including those previously conducted by 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 NASA is developing. We estimate the appropriations to the FAA totaled approximately \$9.6 million in fiscal 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 fiscal 2001 through 2003. From these amounts, we have received three

contracts aggregating approximately \$13 million. As of February 29, 2004, we have recognized an aggregate of approximately \$10.2 million of contract revenue, of which we have been paid \$9.9 million. Our current SOCRATES government contract backlog is approximately \$2.9 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 plus a fixed fee for that month and typically receive payment by electronic wire transfer within two weeks of invoicing. Certain costs, such as lobbying, product development, and business development expenses that are not allowable under these contracts, R&D costs we incur over certain cost caps set by the U.S. government, or costs incurred while our contracts are not funded, are not reimbursable under our government contracts and have been funded 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 Corp., 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 \$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 was 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.

7

On September 30, 2003, we received our third successive sole source contract from Volpe for an aggregate of \$3.975 million. This contract is being funded from a FY 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/DOT/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 to receive a contract extension for a substantial portion of this funding which would include a major airport test of the expanded 8 to 16-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 or delays in contract funding from the federal government could delay achievement of or increase 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 since our inception. The net loss for fiscal year ended May 31, 2003 of \$943,974 compares unfavorably to the net loss of \$809,100 in fiscal year ended May 31, 2002. The loss for fiscal years 2003 and 2002 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. Net loss for the nine month period ended February 29, 2004 was \$435,951 compared to a net loss of \$718,804 for the same period in 2003. With the reinstatement of the government contract funding, the loss for the first nine months of our fiscal year 2004 ending February 29, 2004 was caused by the remaining two factors: (1) rate ceilings and (2) unallowable expenses under our government contract.

We received our third consecutive government contract on September 30, 2003. This contract does not include rate ceilings thus eliminating a second significant source of losses in previous years. Although we will continue to incur certain unallowable expenses, and remain subject to the risk of further delay and reduction in federal contract funding, the elimination of rate ceilings is a significant improvement to our historical contract terms and conditions and has contributed to our earning a net income of \$6,411 for the three months ended February 29, 2004. Due to this change, we believe our fourth quarter ending May 31, 2004 could also be profitable. However, such a result will be subject to numerous risks and uncertainties and we can make no guaranty or assurance we will achieve or thereafter sustain any level of profitability.

### **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 judgements 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 judgements 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 judgements 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 February 29, 2004 and February 28, 2003**

*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.

For the three month periods ending February 28, 2003 and February 29, 2004, contract revenue increased 107% from \$487,299 to \$1,008,923. This increase reflects the increased efforts by the Company and its subcontractors and consultants in the Phase III Socrates development of a significantly larger and more robust system.

Contract revenue for the nine month period ending February 29, 2004 was \$2,303,390. This is a significant increase compared to the contract revenue of \$527,131 for the nine month period ending February 28, 2003. This increase was due to the lack of government contract funding for SOCRATES during the six month period ending November 30, 2002. As of February 29, 2004, our contract receivables against our government contracts are \$339,021.

*Direct Contract Costs.* Subcontractor, consultant and direct labor expenses comprise our direct contract costs. Direct contract costs for the three and nine month period ending February 29, 2004 were \$621,909 and \$1,533,721, respectively, compared to \$350,194 and 374,284 respectively, for the three and nine month periods ending February 28, 2003. These nine month results principally reflect the lack of government contract funding during the six month period ending November 30, 2002.

When our government contract is funded, charges to 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 or if the actual direct cost of a specific task order exceeds its budgeted funding and the government is not willing to reallocate direct costs between task orders, 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 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.

	<b>For Year Ended</b> <b><u>5-31-02</u></b>	<b>For Year Ended</b> <b><u>5-31-03</u></b>	<b>For Nine Months</b> <b>Ended</b> <b><u>02-29-04</u></b>
Overhead Rates	73%	89%	<u>74%</u>
General and Admin. Rates	67%	67%	42%

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 fourth quarter of fiscal year 2004.

Unreimbursable 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 public and private sales of our equity securities. Non-contract costs have been the primary use of this source of liquidity and have had a significant impact on our operating loss to date. Non-contract costs are detailed below:

	<b>For the 9 Months Ending</b> <b>(Unaudited)</b>	
	<b><u>02-29-04</u></b>	<b><u>02-28-03</u></b>
Unallowable Expenses (1) & (2)	\$305,931	\$ 199,879
Over-ceiling Expenses	257,066	146,316
Operating Expenses During Unfunded Period 6-1-02 / 11-19-02	<u>0</u>	<u>390,160</u>
Total	<u>\$562,997</u>	<u>\$736,355</u>

	<b>For the 3 Months Ending</b> <b>(Unaudited)</b>	
	<b><u>02-29-04</u></b>	<b><u>02-28-03</u></b>
Unallowable Expenses (3) & (4)	\$92,490	\$ 43,111
Over-ceiling Expenses	11,488	139,053
Operating Expenses During Unfunded Period 9-1-02 / 11-19-02	<u>0</u>	<u>0</u>
Total	<u>\$103,978</u>	<u>\$182,164</u>

Notes:

- (1) Includes \$25,188 of stock based compensation expense for the 9 months-ended 02-29-04.
- (2) Includes \$18,414 of stock based compensation expense for the 9 months-ended 02-28-03.
- (3) Includes \$8,396 of stock based compensation expense for the 3 months-ended 02-29-04.
- (4) Includes \$6,138 of stock based compensation expense for the 3 months-ended 02-28-03.

Our total selling, general and administrative expenses consist of allowable and unallowable expenses and for the three month and nine month periods ended February 29, 2004 were \$293,399 and \$1,005,976, respectively, compared to \$270,892 and \$809,620 for the same periods in 2003.

Unallowable selling, general and administrative expenses for the three month period ending February 29, 2004 were \$92,490 and increased from \$43,111 over the three month period ended in 2003 primarily due to increased corporate development and publicity and general unallowable expenses which were \$60,900 for that period in 2004, compared to \$20,196 for that period in 2003. Unallowable expenses for the nine months ended February 29, 2004 were \$305,931 and increased from \$199,879 during the nine month period ended in 2003 primarily due to increased general unallowable expenses which were \$124,968 for that period in 2004 compared to \$27,048 for that period in 2003. The increase in general unallowable expenses primarily was a result of company car expenses, labor in support of preparation of our SB-2 registration statement and travel and entertainment.

Allowable selling, general, and administrative expenses for the three and nine month period ended February 29, 2004 totaled \$200,909 and \$700,045 respectively, compared to \$227,781 and \$609,741 respectively, for the three and nine month period ended February 28, 2003. The reason for this increase for the nine months ended February 29, 2004 compared to February 28, 2003 of \$90,304 was primarily due to an increase in legal fees and investor relations expenses.

Over-ceiling expenses of \$257,066 for the nine month period ending February 29, 2004 represents 37% of the allowable overhead and general administrative expenses. The remaining 63% of overhead and general administrative expenses for the period, \$442,979, were absorbed and billed as part of our costs on our government contract.

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 FY 2004. We are no longer subject to rate ceilings which reduced the over-ceiling expense category during the third quarter FY 2004 and we believe will eliminate the over-ceiling category for all of the fourth quarter FY 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 backlog on our third contract as of February 29, 2004 is \$2,921,033. 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 FY 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 February 29, 2004 and February 28, 2003, our cash was, respectively, \$9,829,711 and \$1,228,142. The increase in cash on hand as of February 29, 2004 over February 28, 2003 was attributable to \$1,700,000 of proceeds from exercise of 850,000 common stock warrants, plus the sale of 3,028,600 shares of common stock with net proceeds of \$7,594,318, less the operating losses for the period from March 1 2003 to February 29, 2004 and capital additions in the nine month period ending February 29, 2004. This capital addition consisted primarily of the purchase of four company cars for our executive officers that aggregated \$150,000.

As of February 29, 2004, we had other receivables of \$168,937 compared to \$55,302 as of February 28, 2003. The increase is primarily due to \$99,146 of unbilled government contract receivables. The \$99,146 increase represents the difference between overhead and general administrative rates billed using provisional rates of 73% and 28%, respectively, and the actual rates of 74% and 42%, respectively, applied to our direct costs incurred in our Phase III SOCRATES contract to date. At the end of each year, our final government billing for the period is

adjusted to reflect the actual allowable overhead and general administrative cost incurred.

As of February 29, 2004, we had total current liabilities, including accounts payable, of \$769,976 compared to \$406,277 of current liabilities as of February 28, 2003. Accounts payable as of February 29, 2004 were \$623,741, which included \$217,842 to our subcontractor, Lockheed Martin Corporation, \$183,298 for legal expenses and \$70,585 in other expenses in support of our public offering compared to accounts payable as of February 28, 2003 of \$303,974, which included \$175,254 to Lockheed Martin and \$47,440 for legal fees.

We anticipate that our funded contract balance for our third contract of \$2,921,033 as of February 29, 2004 will fund our direct contract costs and allowable operating expenses until approximately August 31, 2004. During this period, we have budgeted and expect to incur approximately \$225,000 in non-contract cost and approximately \$500,000 in UNICORN research and development. 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 should be approximately \$9,105,000. 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. Prior to any extension of our contract, the government will request and we must submit a cost and technical proposals for review and approval of the government. As of the date of this report, we have not received such request and the timing for release of such request is not clear. Any delay in obtaining a contract extension also might require us to draw upon our cash after August 31, 2004 to fund our operations.

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.

### **Item 3. Controls and Procedures**

- (a) ***Evaluation of disclosure controls and procedures.*** Our chief executive officer and chief financial officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 (the "Exchange Act")), as of a date within ninety days before the filing of this quarterly report. Based on that evaluation, the chief executive officer and chief financial officer have concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms.
- (b) ***Changes in internal controls.*** There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weakness in the internal controls, and therefore no corrective actions were taken.

**PART II - OTHER INFORMATION****Item 6. Exhibits and Reports on Form 8-K***(a) Exhibits*

The following is a list of exhibits filed as part of this quarterly report on Form 10-QSB. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated.

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Articles of Incorporation*
3.3	By-Laws (1)
10.1	Employment Agreement dated as of November 4, 2003, between the Company and Samuel A. Kovnat*
10.2	Employment Agreement dated as of November 4, 2003, between the Company and William B. Cotton*
10.3	Employment Agreement dated as of November 4, 2003, between the Company and David D. Cryer*
10.4	Employment Agreement dated as of November 4, 2003, between the Company and Frank L. Rees*
10.5	Teaming Agreement dated May 1, 1997, by and between FSTO and Lockheed Martin Corporation (2)
10.6	Share Exchange Agreement between Reel Staff, Inc. and Flight Safety Technologies, Inc.,
10.7	dated June 24, 2002, as amended July 15, 2002 (3)
10.8	Cost Reimbursement Research Project Agreement between Flight Safety
10.9	Technologies, Inc. and Georgia Tech Applied Research Corporation (4)
31.1	Phase III Contract issued by U.S. DOT/RSPA/Volpe Center, dated September 30, 2003 (5)
31.2	Agreement between Flight Safety Technologies, Inc. and Advanced Acoustics Concepts, Inc.,
32.1	dated January 14, 2000 (6)
32.2	Chief Executive Officer Certification as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
	Chief Financial Officer Certification as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
	Chief Executive Officer Certification as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
	Chief Financial Officer Certification as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

\*Submitted herewith.

- (1) Incorporated by reference to Exhibit 3.2 to our Form SB-2 filed on August 9, 2001.
- (2) Incorporated by reference to Exhibit 10.7 to our 8-KA filed on November 6, 2002.
- (3) Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on July 18, 2002.
- (4) Incorporated by reference to Exhibit 10.7 to our Form SB-2 filed on November 26, 2003.
- (5) Incorporated by reference to Exhibit 10.8 to our Form SB-2 filed on November 26, 2003.
- (6) Incorporated by reference to Exhibit 10.9 to our Form SB-2 filed on November 26, 2003.

*(b) Reports on Form 8-K*

On January 13, 2004, we filed a Current Report on Form 8-K. The report contained an Item 9 Regulation FD disclosure announcing that we had recently learned that the staff of the Securities and Exchange Commission is conducting an informal investigation that appears to be looking into certain analyst reports about the Company, and its press releases. We further reported that the SEC staff has not asserted that we have acted improperly or illegally and that we have voluntarily agreed to cooperate fully with the staff's informal investigation.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, we caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

Flight Safety Technologies, Inc.  
a Nevada corporation

April 6, 2004



By:



Samuel A. Kovnat  
Chairman and Chief Executive Officer

April 6, 2004



By:



David D. Cryer  
Chief Financial Officer, Secretary, Treasurer





**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
FLIGHT SAFETY TECHNOLOGIES, INC.**

Pursuant to the provisions of Title 7, Chapter 78 of the Nevada Revised Statutes, the Articles of Incorporation of this Corporation are hereby amended and restated to read in their entirety as follows:

FIRST. The name of this corporation is Flight Safety Technologies, Inc.

SECOND. The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized pursuant to the General Corporation Law of the State of Nevada.

THIRD. The total number of shares of capital stock which this corporation shall have authority to issue is fifty five million (55,000,000) with a par value of \$.001 per share amounting to \$55,000.00. Fifty million (50,000,000) of those shares are Common Stock and five million (5,000,000) of those shares are Preferred Stock. Each share of Common Stock shall entitle the holder thereof to one vote, in person or by proxy, on any matter on which action of the stockholders of this corporation is sought. The holders of shares of Preferred Stock shall have no right to vote such shares, except (i) as determined by the Board of Directors of this corporation in accordance with the provisions of Section (3) of ARTICLE FIFTH of these Articles of Incorporation, or (ii) as otherwise provided by the Nevada General Corporation Law, as amended from time to time.

FOURTH. The Board of Directors of this corporation shall be, and hereby is, authorized and empowered, subject to limitations prescribed by law and the provisions of Article FOURTH of these Articles of Incorporation, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Nevada, to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of each such series. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

- (1) The number of shares constituting such series and the distinctive designation of such series;
  - (2) The dividend rate on the shares of such series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of such series;
  - (3) Whether such series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- Page 1 of 6
- (4) Whether such series shall have conversion privileges, and, if so, the terms and conditions of such conversion privileges, including provision for adjustment of the conversion rate, in such events as the Board of Directors shall determine;
  - (5) Whether or not the shares of such series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which those shares shall be redeemable, and the amount per share payable in the event of redemption, which amount may vary in different circumstances and at different redemption dates;
  - (6) Whether that series shall have a sinking fund for the redemption or purchase of shares of such series, and, if so, the terms and amount of such sinking fund;
  - (7) The rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of this corporation, and the relative rights of priority, if any, of payment of shares of such series; and
  - (8) Any other relative rights, preferences and limitations of such series.

Dividends on issued and outstanding shares of Preferred Stock shall be paid or declared and set apart for payment prior to any dividends shall be paid or declared and set apart for payment on the shares of Common Stock with respect to the same dividend period.

If, upon any voluntary or involuntary liquidation, dissolution or winding up of this corporation, the assets of this corporation available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full and complete preferential amount to which such holders are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts, including unpaid cumulative dividends, if any, payable with respect thereto.

FIFTH. 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.

SIXTH. This corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision specified in

these Articles of Incorporation, and other provisions authorized by the laws of the State of Nevada at any such time then in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to these Articles of Incorporation in their present form or as hereafter amended are granted subject to the rights reserved in this article.

Page 2 of 6

SEVENTH. Capital stock issued by this corporation after the amount of the subscription price or par value therefor has been paid in full shall not be subject to pay debts of this corporation, and no capital stock issued by this corporation and for which payment has been made shall ever be assessable or assessed.

EIGHTH. (a) The affairs of this corporation shall be governed by a Board of Directors of not more than fifteen (15) persons nor less than one (1) person, as determined from time to time by vote of a majority of the Board of Directors of this corporation; provided, however, that the number of directors shall not be reduced so as to reduce the term of any director at the time in office.

(b) The directors shall be elected by the holders of shares entitled to vote thereon at the annual meeting of shareholders and until their respective successor has been elected and qualified.

(c) Notwithstanding any other provisions of these Articles of Incorporation or the bylaws of this corporation (and notwithstanding the fact that some lesser percentage may be specified by law, these Articles of Incorporation or the bylaws of this corporation), any director or the entire Board of Directors of this corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of seventy-five percent (75%) or more of the outstanding shares of capital stock of this corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders of this corporation called for that purpose. Notwithstanding the foregoing, and except as otherwise required by law, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of this corporation, the provisions of section (c) of this article shall not apply with respect to the director or directors elected by such holders of Preferred Stock.

NINTH. The period of existence of this corporation shall be perpetual.

TENTH. No contract or other transaction between this corporation and any other corporation, whether or not a majority of the shares of the capital stock of such other corporation is owned by this corporation, and no act of this corporation shall in any way be affected or invalidated by the fact that any of the directors of this corporation are pecuniarily or otherwise interested in, or are directors or officers of such other corporation. Any director of this corporation, individually, or any firm of which such director may be a member, may be a party to, or may be pecuniarily or otherwise interested in any contract or transaction of this corporation; provided, however, that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors of this corporation, or a majority thereof; and any director of this corporation who is also a director or officer of such other corporation, or who is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of this corporation that shall authorize such contract or transaction, and may vote thereat to authorize such contract or transaction, with the same force and effect as if he or she were not such director or officer of such other corporation or not so interested.

Page 3 of 6

ELEVENTH. Subject to the provisions of any series of Preferred Stock of this corporation which may at the time be issued and outstanding and convertible into shares of Common Stock of this corporation, the affirmative vote of at least two-thirds (2/3) of the outstanding shares of Common Stock held by stockholders of this corporation other than the "related person" (as defined later in these Articles of Incorporation), shall be required for the approval or authorization of any "business combination" (as defined later in these Articles of Incorporation) of this corporation with any related person; provided, however, that such voting requirement shall not be applicable if:

- (1) The business combination was approved by the Board of Directors of this corporation either (A) prior to the acquisition by such related person of the beneficial ownership of twenty percent (20%) or requisition the outstanding shares of the Common Stock of this corporation, or (B) after such acquisition, but only during such time as such related person has sought and obtained the unanimous approval by the Board of Directors of this corporation of such acquisition of more than 20% of the Common Stock prior to such acquisition being consummated; or
- (2) The business combination is solely between this corporation and another corporation, fifty percent (50%) or more of the voting stock of which is owned by a related person; provided, however, that each stockholder of this corporation receives the same type of consideration in such transaction in proportion to his or her stockholdings; or

(3) All of the following conditions are satisfied: (A) The cash or fair market value of the property, securities or other consideration to be received per share by holders of Common Stock of this corporation in the business combination is not less than the higher of (i) the highest per share price (including brokerage commissions, soliciting dealers fees, dealer-management compensation, and other expenses, including, but not limited to, costs of newspaper advertisements, printing expenses and attorneys' fees) paid by such related person in acquiring any of its holdings of this corporation's Common Stock or (ii) an amount which has the same or a greater percentage relationship to the market price of this corporation's Common Stock immediately prior to the commencement of acquisition of this corporation's Common Stock by such related person, but in no event in excess of two (2) times the highest per share price determined in clause (i), above; and

(B) After becoming a related person and prior to the consummation of such business combination, (i) such related person shall not have acquired any newly issued shares of capital stock, directly or indirectly, from this corporation (except upon conversion of convertible securities acquired by it prior to becoming a related person or upon compliance with the provision of this article or as a result of a pro rata stock dividend or stock split) and (ii) such related person shall not

Page 4 of 6

have received the benefit, directly or indirectly, (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by this corporation, or made any major changes in this corporation's business or equity capital structure; and

(C) A proxy statement complying with the requirements of the Securities Exchange Act of 1934, whether or not this corporation is then subject to such requirements, shall be mailed to the public stockholders of this corporation for the purpose of soliciting stockholder approval of such business combination and shall contain at the front thereof, in a prominent place (i) any recommendations as to the advisability (or inadvisability) of the business combination which the continuing directors, or any outside directors, may determine to specify, and (ii) the opinion of a reputable national investment banking firm as to the fairness (or not) of the terms of such business combination, from the point of view of the remaining public stockholders of this corporation (such investment banking firm to be engaged solely on behalf of the remaining public stockholders, to be paid a reasonable fee for its services by this corporation upon receipt of such opinion, to be a reputable national investment banking firm which has not previously been associated with such related person and, if there are at the time any such directors, to be selected by a majority of the continuing directors and outside directors).

For purposes of this article:

(1) The term "business combination" shall be defined as and mean (a) any merger or consolidation of this corporation with or into a related person; (b) any sale, lease, exchange, transfer or other disposition, including, without limitation, a mortgage or any other security device, of all or any substantial part of the assets of this corporation, including, without limitation, any voting securities of a subsidiary, or of a subsidiary, to a related person; (c) any merger or consolidation of a related person with or into this corporation or a subsidiary of this corporation; (d) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of a related person to this corporation or a subsidiary of this corporation; (e) the issuance of any securities of this corporation or a subsidiary of this corporation to a related person; (f) the acquisition by this corporation or a subsidiary of this corporation of any securities of a related person; (g) any reclassification of Common Stock of this corporation, or any recapitalization involving Common Stock of this corporation, consummated within five (5) years after a related person becomes a related person, and (h) any agreement, contract or other arrangement providing for any of the transactions described in this definition of business combination.

(2) The term "related person" shall be defined as and mean and include any individual, corporation, trust, association, partnership or other person or entity which, together with their "affiliates" and "associates" (defined later in these Articles of Incorporation), "beneficially" owns (as

this term is defined in Rule 13d-3 of the General Rules and Regulations pursuant to the Securities Exchange Act of 1934), in the aggregate 20% or more of the outstanding shares of the

Page 5 of 6

Common Stock of this corporation, and any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 pursuant to the Securities Exchange Act of 1934) of any such individual, corporation, trust, association, partnership or other person or entity;

(3) The term "substantial part" shall be defined as and mean more than ten percent (10%) of the total assets of the corporation in question, as of the end of its most recent fiscal year ending prior to the time the determination is being made;

(4) Without limitation, any shares of Common Stock of this corporation which any related person has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by such related person;

(5) For the purposes of this article, the term "other consideration to be received" shall include, without limitation, Common Stock of this corporation retained by its existing public stockholders in the event of a business combination with such related person pursuant to which this corporation is the surviving corporation; and

(6) With respect to any proposed business combination, the term "continuing director" shall be defined as and mean a director who was a member of the Board of Directors of this corporation immediately prior to the time that any related person involved in the proposed business combination acquired twenty percent (20%) or more of the outstanding shares of Common Stock of this corporation, and the term "outside director" shall be defined as and mean a director who is not (a) an officer or employee of this corporation or any relative of an officer or employee, (b) a related person or an officer, director employee, associate or affiliate of a related person, or a relative of any of the foregoing, or (c) a person having a direct or indirect material business relationship with this corporation.

TWELFTH. No action required to be taken or which may be taken at any annual or special meeting of stockholders of this corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

THIRTEENTH. All of the powers of this corporation, insofar as the same may be lawfully vested by these Articles of Incorporation in the Board of Directors, are hereby conferred upon the Board of Directors of this corporation. In furtherance and not in limitation of that power, the Board of Directors shall have the power to make, adopt, alter, amend and repeal from time to time bylaws of this corporation, subject to the right of the shareholders entitled to vote with respect thereto to adopt, alter, amend and repeal bylaws made by the Board of Directors; provided, however, that bylaws shall not be adopted, altered, amended or repealed by the stockholders of this corporation, except by the vote of the holders of not less than two thirds (2/3) of the outstanding shares of stock entitled to vote upon the election of directors.

Page 6 of 6

**EMPLOYMENT AGREEMENT**  
**Between Flight Safety Technologies, Inc.**  
**and**  
**SAMUEL A. KOVNAT**

**THIS AGREEMENT** made as of the 4th day of November, 2003, by and between Flight Safety Technologies, Inc., a Nevada Corporation with a principal place of business at 28 Cottrell Street, Mystic, Connecticut, 06355 (hereafter "Flight Safety" or the "Company"), and Samuel A. Kovnat (hereafter or "Employee").

**RECITALS:**

**WHEREAS**, Flight Safety is engaged in the business of designing, developing, marketing, managing and operating proprietary devices, equipment, and technologies to enhance aviation safety, increase airport capacity and reduce airport delays (the "Business");

**WHEREAS**, Flight Safety desires to employ Employee to provide certain services related to the development and operation of its business; and

**WHEREAS**, Employee desires to render such services.

**NOW THEREFORE**, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment.

- (a) Flight Safety hereby employs Employee as its Chief Executive Officer and Chairman of its Board of Directors with principal responsibility for obtaining financing for the Company from governmental agencies and other sources, articulating the mission of the Company, coordinating its operations with the President, Chief Financial Officer, and Technical Director and carrying out such other duties as the Board of Directors of the Company from time to time may assign to him. Employee hereby accepts the appointment to serve in each capacity at Flight Safety. During the term of this agreement, Employee will be responsible to report to the Board of Directors of the Company.
- (b) The Employee hereby accepts such appointment subject to the provisions and conditions of this Agreement.

2. Duration of Agreement. This Agreement shall extend for a period of two years if not sooner terminated pursuant to Section 6 below. The parties may agree by written amendment to continue this Agreement after that date on a year to year basis.

3. Employee's Duties.

- (a) The Employee shall devote all of his business time and attention to the affairs of the Company to effectively carry out his assigned duties.
- (b) Outside Activities. Employee will be able to serve on up to two Board of Director positions provided these activities do not conflict with or diminish Employee's ability to conduct his duties to the Company. Any Board positions or any other professional activities unrelated to the Company will require the prior approval of the Company's Board of Directors.

4. Company's Duties.

- (a) The Company shall:
  - (i) Compensate Employee as set forth in Section 5 below.
  - (ii) Furnish the Employee with a suitable private office, and such equipment, supplies, instruments, and clerical and staff support as are reasonable and necessary to fulfill his responsibilities as set forth in this Agreement.

- (iii) Furnish the Employee with such data, materials, documents and other information as are reasonable and necessary to fulfill his responsibilities and duties as set forth in this Agreement.
  - (iv) Reimburse the Employee for all reasonable out of pocket business expenses he incurs to fulfill the terms of this Agreement, approved by the Company in accordance with its policies, rules, standards, and/or procedures governing such expenses, including without limitation, those for travel, lodging, food, telephone, facsimile and other electronic voice or data transmissions. The Employee shall submit periodic reports of such expenses on forms with supporting documentation as the Company shall prescribe for its executive Employees and Company shall pay such reimbursement within forty-five (45) days of such submissions.
- (b) The Company, upon approval of the Board of Directors, may pay additional compensation to members of the management, including the Board of Directors beyond that amount set forth in Sections 5(a) and 5(b) below. The Board may approve such additional compensation if it views such additional compensation to be in the best interest of, and fair to the Company. Such additional compensation may be in the form of, without limitation, stock options, warrants, or performance bonuses.

Page 2 of 10

5. Compensation.

- (a) The Company shall pay Employee, at a minimum, a base annual salary of \$166,000 ("Base Compensation") for each of the two years. Compensation shall be in monthly installments payable on the last day of each month, except as the parties may agree to another installment practice with consent of Board of Directors from time to time. There shall be no adjustment for cost of living increases or Consumer Price Index increases. This compensation is subject to Section 5(d) below.
- (b) Employee shall be eligible to participate in coverage under the Company's employee and insurance plans or programs and other employee benefit plan or programs, if any, at least equal to the coverage provided to other full-time executives of Flight Safety, including an annual allowance of up to \$7,200 payable monthly to cover the costs of individual medical insurance premiums and/or medical costs and expenses.
- (c) Employee may be paid additional compensation (as a member of management and/or the Board of Directors) as the Board may approve from time to time pursuant to Section 4(b) above.

6. Termination.

- (a) The Term of this Agreement shall end on the date of the first of the following events to occur:
  - (i) Close of business two (2) years to the date following the execution of this Agreement.
  - (ii) Immediately following the Board of Director's receipt of written notice of the Employee's resignation. The Employee shall not deliver any such notice until the parties have had prior verbal discussions.
  - (iii) The date on which the Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment for cause, which notice shall specify the nature of such cause. For purposes of this subsection, "cause" shall mean any of the following:

- (A) The breach of any term of this Agreement.
- (B) The repeated, deliberate or intentional failure, refusal, or the habitual neglect of the Employee to perform his duties to the standard required under this Agreement (except by reason of short term or long term disability).

Page 3 of 10

- (C) Acts constituting gross negligence in the performance of his duties or any cause based on criminal misconduct.
  - (D) An act of dishonesty by the Employee intended to result in gain or personal enrichment of the Employee at the Company's expense.
  - (E) In the event that the Employee is unable for a period of one hundred eighty (180) consecutive days to substantially perform his duties and services under this Agreement by reason of illness or incapacity, the thirtieth (30<sup>th</sup>) day after the date on which Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment because of such disability.
  - (F) Death of the Employee.
- (b) Termination of the Employee's employment pursuant to Section 6(a) shall not affect Employee's obligation under Sections 7 (Confidentiality), 8 (Restrictive Covenants), and 10 (Intellectual Property).
  - (c) The Company may terminate the Employee's employment at any time without cause. In the event of termination without cause the Company will continue to pay the Employee an amount equal to his pay for twelve month monthly installments (twelve months salary) or the amount equal to his pay for the number of monthly installments remaining under this Agreement, whichever is less.

7. Confidentiality.

- (a) The Employee may now and in the future have access to, and may be given information with respect to the special business techniques, concepts, designs, drawings, ideas, models, inventions, molds, forms, software programs, other intangible work product and tangible deliverables, patents, copyrights, trade secrets, other intellectual property, systems, know-how, financial, accounting and production policies, procedures, records and infrastructure, lists of customers, and all other information regarding manufacture, implementation or distribution of the products, plans and technology (the "Confidential Information") that are a part of or used or useful in the Business of the Company and its members, employees, agents, subsidiaries or affiliates (the "Protected Party"), which is not generally known to the public and gives the Protected Party an advantage over its respective competitors who do not know or use the Confidential Information. The Employee acknowledges that all of such Confidential Information as it now or in the future exists:

Page 4 of 10



- (1) Belongs to the Company, its shareholders, subsidiaries and affiliates;
- (2) Constitutes specialized and highly confidential information not generally known in the industry; and
- (3) Constitutes a valuable asset of the Company.

Accordingly, the Employee recognizes and acknowledges that it is essential to the Company to protect the confidentiality of such Confidential Information.

- (b) The Employee agrees to act as a trustee of such Confidential Information and of any other confidential information he acquires in connection with his association with the Company. Further, as an inducement to the Company to retain him as an employee, he will hold all such Confidential Information, in trust and confidence for the use and benefit solely of the Company.
- (c) The Employee agrees to refrain from divulging or disclosing any Confidential Information to others and from using such Confidential Information, except for the benefit of the Company as contemplated hereunder. The Employee further agrees to refrain from taking any other actions, which would tend to destroy or reduce the value of the Confidential Information to the Protected Party.
- (d) Upon the Employee's termination (for any reason), the Employee shall deliver, or cause to be delivered in the case of termination because of incapacity, to the Company all documents and data of any nature pertaining to his work with the Company. The Employee shall not take any documents or data of any description or any reproduction of any description containing or pertaining to any Confidential Information.
- (e) The confidentiality provisions of this Section 7 are intended to supplement and not supersede the applicable provisions of the Uniform Trade Secrets Act, to the fullest extent applicable.
- (f) During the term hereof, and thereafter, the Employee shall not disclose such Confidential Information to any person, firm, association, or other entity for any reason or purpose whatsoever, unless such information has already become common knowledge or unless the Employee is required to disclose it by judicial process. The Employee shall notify the Company in writing of such judicial process prior to disclosure, and allow the Company a reasonable opportunity to defend and protect its rights therein.

8. Restrictive Covenants.

- (a) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, engage in activities for, nor render services (similar or reasonably related to those in which the Employee shall have rendered to the Company) to, any person, entity, firm, business organization which directly or indirectly competes with the Business of the Company to the extent and insofar as such competition is based on or exploits the Confidential Information or Inventions of the Company, whether now existing or hereafter established, nor shall the Employee entice, induce or encourage any of the Company's employees to engage in any activity which, were it done by the Employee, would violate any provision of the this section.

- (b) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, solicit the Company's employees or independent contractors to leave their employ or terminate their contracts with the Company. Further, the Employee shall not offer or cause to be offered employment or an independent contract to any person who was employed by or under contract with the Business of the Company at any time during the twelve (12) months prior to the termination of his employment with the Company.

Upon the Employee's written request to the Company specifying the activities proposed to be conducted by the Employee, the Company may in its discretion give the Employee written approval(s) to personally engage in any activity or render services referred to in Subsection (a) upon receipt of written assurances (satisfactory to the Company and its counsel) from the Employee and from the Employee's prospective employer(s), partner(s) or company that the integrity and provisions of this Section will not in any way be jeopardized or violated by such activities, provided the burden of so establishing the foregoing to the satisfaction of the Company and its counsel shall be upon the Employee and his prospective employer(s), partner(s) or company.

- (c) The parties acknowledge that they have attempted to limit the Employee's right to compete only to the extent necessary to protect the Company from unfair competition. However, the parties hereby agree that, if the scope or enforceability of the restrictive covenant is in any way disputed at any time, a court or other trier of fact may modify and enforce the covenant to the extent that it finds the covenant to be reasonable under the circumstances existing at the time.
- (d) The Employee further acknowledges that: (1) in the event his contract with the Company terminates for any reason, he will be able to earn a livelihood without violating the foregoing restrictions; and (2) that his ability to earn a livelihood without violating such restrictions is a material condition to his retention by the Company.

Page 6 of 10

- (e) The Employee's duties under this Section 8 shall survive termination of the Employee's employment with the Company. The Employee acknowledges that a remedy at law for any breach or threatened breach by the Employee of this Section 8 would be inadequate, and the Employee therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach.
9. Warranty Against Prior Existing Restriction. The Employee represents and warrants to the Company that he is not a party to any agreement containing a non-competition clause or other restriction with respect to: (a) the services which he is required to perform hereunder; or (b) the use or disclosure of any information directly or indirectly related to the Company's business, or to the services he is required to render pursuant hereto.
10. Intellectual Property.

- (a) The Employee agrees that all inventions, designs, improvements, writings, and discoveries, processes and techniques (collectively defined as "Intellectual Property") made since first being employed by the Company until the employee ceases to be employed by the Company, whether under this Agreement or otherwise, and pertaining to the business conducted by the Company, shall be the exclusive property of the Company. The employee agrees to promptly disclose such Intellectual Property to the Company, and the Company shall determine whether such Intellectual Property pertains to its current or future business.
- (b) All Intellectual Property shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. The Employee hereby assigns to the Company any rights he may have or acquire in all Intellectual Property. The Employee further agrees as to all Intellectual Property to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights, trademarks, and other rights and protections and enforcing the same, as the Company may desire, together with any assignments thereof to the Company or persons designated by it. The Employee's obligation to assist the Company in obtaining and enforcing patents, copyrights, trademarks and other rights and protections relating to the Inventions in any and all countries shall continue beyond the termination of the Employee's employment, but the Company shall compensate the Employee at a reasonable rate after such termination for time actually spent by Employee at the Company's request on such assistance.
- (c) In the event the Company is unable after reasonable effort, to secure the Employee's signature on any document or documents needed to apply for or prosecute any patent, copyright, other right or protection relating to an Invention, for any reason whatsoever,

Page 7 of 10

the Employee hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as the Employee's agent and attorney-in-fact to act for and on the Employee's behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by the Employee.

- (d) The Company makes no claim to any intellectual property or product which is developed or invented by the Employee and not useful in or unrelated to the Company's Business as determined by the Company, provided such intellectual property or product does not violate any terms of Section 7 (Confidentiality), Section 8 (Restrictive Covenants), or Section 10 (Intellectual Property) set forth in this Agreement. Further, the Employee's invention may not result from the use of Confidential Information. The Company shall notify the Employee within one year whether any such intellectual property is related to the Company's current or future business. If the Company fails to notify the Employee within one year, then the Company shall forfeit any rights to the intellectual property.

11. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policy of each jurisdiction in which enforcement is sought. Accordingly, if any particular provision, section, or subsection of this Agreement is adjudged by any court of law to be void or unenforceable, in whole or in part, such adjudication shall not be deemed to affect the validity of the remainder of the Agreement, including any other provision, section, or subsection. In addition, if any one or more of the provisions contained in this Agreement shall for any reason be held to excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. Each provision, section, and subsection of this Agreement is declared to be separable from every other provision, section, and subsection and constitutes a separate and distinct covenant.
12. Entire Agreement. This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements. There are no other agreements, representations, or warranties not set forth herein.
13. Notices. All notices or other documents under this Agreement shall be in writing and delivered personally or mailed by certified mail, return receipt requested postage prepaid, addressed to the Company or Employee at their last known addresses. Addresses are as follows:

If to Company:     Flight Safety Technologies, Inc.  
                          28 Cottrell Street  
                          Mystic, Connecticut 06355

Page 8 of 10

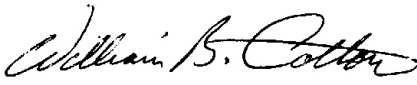

If to Employee:    Samuel A. Kovnat  
                          252 Denison Hill Road  
                          North Stonington, CT 06359

14. Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.
15. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
16. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut.
17. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
18. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns.
19. Remedies. The parties agree that in addition to any other rights and remedies available to the Company for any breach by the Employee of his obligations hereunder, the Company shall be entitled to enforce the Employee's obligations hereunder by court injunction, or court ordered affirmative action, which injunction or ordered action may restrain a future breaking of this Agreement if there is reasonable ground to believe that such a breach is threatened. The Employee further agrees to allow the Company to enjoin future use or disclosure of its Confidential Information if it has reasonable grounds to believe such action is necessary to protect such Confidential Information.
20. Attorney's Fees. If either party hereto shall breach any of the terms hereof, such breaching party shall pay to the non-defaulting party all of the non-defaulting party's costs and expenses, including reasonable attorney's fees and costs, incurred by such party in enforcing the terms of this Agreement.

21. Prohibition Against Assignment. The Employee agrees, for himself and on behalf of his successors, heirs, executors, administrators, and any person or persons claiming under him by virtue hereof, that this Agreement and the rights, interests, and benefits hereunder cannot be assigned, transferred, pledged, or hypothecated in any way and shall not be subject to execution, attachment, or similar process. Any such attempt to do so, contrary to the terms hereof, shall be null and void and shall relieve the Company of any and all obligations or liability hereunder.

Page 9 of 10

IN WITNESS WHEREOF, I have on the date set forthwith unto my signature and seal

	<b>For Company:</b> Flight Safety Technologies, Inc. 
	By: William B. Cotton Its President
	<b>For Employee:</b>
	
	Samuel A. Kovnat



**EMPLOYMENT AGREEMENT**  
**Between Flight Safety Technologies, Inc.**  
**and**  
**William B. Cotton**

**THIS AGREEMENT** made as of this 4th day of November, 2003, by and between Flight Safety Technologies, Inc., a Nevada Corporation with a principal place of business at 28 Cottrell Street, Mystic, Connecticut, 06355 (hereafter "Flight Safety" or the "Company"), and William B. Cotton (hereafter or "Employee").

**RECITALS:**

**WHEREAS**, Flight Safety is engaged in the business of designing, developing, marketing, managing and operating proprietary devices, equipment, and technologies to enhance aviation safety, increase airport capacity and reduce airport delays (the "Business");

**WHEREAS**, Flight Safety desires to employ Employee to provide certain services related to the development and operation of its business; and

**WHEREAS**, Employee desires to render such services.

**NOW THEREFORE**, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment.

- (a) Flight Safety hereby employs Employee as its President to assist in ongoing development of the Company, interface with governmental agencies with which the Company contracts, act as a primary liaison to the airline industry and airports, work with its Chief Executive Officer, Chief Financial Officer, Technical Director and other employees and carrying out such other duties as the Board of Directors of the Company from time to time may assign to him. Employee hereby accepts the appointment to serve in each capacity at Flight Safety. During the term of this Agreement, Employee will be responsible to report to the Chairman of the Board of Directors and to the Chief Executive Officer.
- (b) The Employee hereby accepts such appointment subject to the provisions and conditions of this Agreement.

2. Duration of Agreement. This Agreement shall extend for a period of two years if not sooner terminated pursuant to Section 6 below. The parties may agree by written amendment to continue this Agreement after that date on a year to year basis.

3. Employee's Duties.

- (a) The Employee shall devote all of his business time and attention to the affairs of the Company to effectively carry out his assigned duties. The Company understands that Employee has an existing consulting contract with the National Institute of Aerospace, Inc. working in conjunction with the NASA/Langley Research center and Employee shall continue to work under said consulting contract during his non-business hours and on a non-interfering basis.
- (b) Outside Activities. Employee will be able to serve on up to two Board of Director positions provided these activities do not conflict with or diminish Employee's ability to conduct his duties to the Company. Any Board positions or any other professional activities unrelated to the Company will require the prior approval of the Company's Board of Directors.

4. Company's Duties.

- (a) The Company shall:
  - (i) Compensate Employee as set forth in Section 5 below.

- (ii) Furnish the Employee with a suitable private office, and such equipment, supplies, instruments, and clerical and staff support as are reasonable and necessary to fulfill his responsibilities as set forth in this Agreement.
  - (iii) Furnish the Employee with such data, materials, documents and other information as are reasonable and necessary to fulfill his responsibilities and duties as set forth in this Agreement.
  - (iv) Reimburse the Employee for all reasonable out of pocket business expenses he incurs to fulfill the terms of this Agreement, approved by the Company in accordance with its policies, rules, standards, and/or procedures governing such expenses, including without limitation, those for travel, lodging, food, telephone, facsimile and other electronic voice or data transmissions. The Employee shall submit periodic reports of such expenses on forms with supporting documentation as the Company shall prescribe for its executive Employees and Company shall pay such reimbursement within forty-five (45) days of such submissions.
- (b) The Company, upon approval of the Board of Directors, may pay additional compensation to members of the management, including the Board of Directors beyond that amount set forth in Sections 5(a) and 5(b) below. The Board may approve such additional compensation if it views such additional compensation to be in the best interest of, and fair to the Company. Such additional compensation may be in the form of, without limitation, stock options, warrants, or performance bonuses.

5. Compensation.

- (a) The Company shall pay Employee, at a minimum, a base annual salary of \$150,000 ("Base Compensation") for each of the two years. Compensation shall be in monthly installments payable on the last day of each month, except as the parties may agree to another installment practice with consent of Board of Directors from time to time. There shall be no adjustment for cost of living increases or Consumer Price Index increases. This compensation is subject to Section 5(d) below.
- (b) Employee shall be eligible to participate in coverage under the Company's employee and insurance plans or programs and other employee benefit plan or programs, if any, at least equal to the coverage provided to other full-time executives of Flight Safety, including an annual allowance of up to \$7,200 payable monthly to cover the costs of individual medical insurance premiums and/or medical costs and expenses.
- (c) Employee may be paid additional compensation (as a member of management and/or the Board of Directors) as the Board may approve from time to time pursuant to Section 4(b) above.

6. Termination.

- (a) The Term of this Agreement shall end on the date of the first of the following events to occur:
  - (i) Close of business two (2) years to the date following the execution of this Agreement.
  - (ii) Immediately following the Board of Director's receipt of written notice of the Employee's resignation. The Employee shall not deliver any such notice until the parties have had prior verbal discussions.
  - (iii) The date on which the Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment for cause, which notice shall specify the nature of such cause. For purposes of this subsection, "cause" shall mean any of the following:
    - (A) The breach of any term of this Agreement.



- (B) The repeated, deliberate or intentional failure, refusal, or the habitual neglect of the Employee to perform his duties to the standard required under this Agreement (except by reason of short term or long term disability).
  - (C) Acts constituting gross negligence in the performance of his duties or any cause based on criminal misconduct.
  - (D) An act of dishonesty by the Employee intended to result in gain or personal enrichment of the Employee at the Company's expense.
  - (E) In the event that the Employee is unable for a period of one hundred eighty (180) consecutive days to substantially perform his duties and services under this Agreement by reason of illness or incapacity, the thirtieth (30<sup>th</sup>) day after the date on which Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment because of such disability.
  - (F) Death of the Employee.
- (b) If a dispute arises out of or relates to any termination for cause under this Agreement, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Any such dispute that cannot be settled through mediation shall be settled by arbitration administered by the American Arbitration Association under its National Rules for Resolution of Employment Disputes and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
  - (c) Termination of the Employee's employment pursuant to Section 6(a) shall not affect Employee's obligation under Sections 7 (Confidentiality), 8 (Restrictive Covenants), and 10 (Intellectual Property).
  - (d) The Company may terminate the Employee's employment at any time without cause. In the event of termination without cause the Company will continue to pay the Employee an amount equal to his pay for twelve month monthly installments (twelve months salary) or the amount equal to his pay for the number of monthly installments remaining under this Agreement, whichever is greater.

7. Confidentiality.

- (a) The Employee may now and in the future have access to, and may be given information with respect to the special business techniques, concepts, designs, drawings, ideas, models, inventions, molds, forms, software programs, other intangible work product and tangible deliverables, patents, copyrights, trade secrets, other intellectual property, systems, know-how, financial, accounting and production policies, procedures, records and infrastructure, lists of customers, and all other information regarding manufacture, implementation or distribution of the products, plans and technology (the "Confidential Information) that are a part of or used or useful in the Business of the Company and its members, employees, agents, subsidiaries or affiliates (the "Protected Party"), which is not generally known to the public and gives the Protected Party an advantage over its respective competitors who do not know or use the Confidential Information. The Employee acknowledges that all of such Confidential Information as it now or in the future exists:
  - (1) Belongs to the Company, its shareholders, subsidiaries and affiliates;

- (2) Constitutes specialized and highly confidential information not generally known in the industry; and
- (3) Constitutes a valuable asset of the Company.

Accordingly, the Employee recognizes and acknowledges that it is essential to the Company to protect the confidentiality of such Confidential Information.

- (b) The Employee agrees to act as a trustee of such Confidential Information and of any other confidential information he acquires in connection with his association with the Company. Further, as an inducement to the Company to retain him as an employee, he will hold all such Confidential Information, in trust and confidence for the use and benefit solely of the Company.
- (c) The Employee agrees to refrain from divulging or disclosing any Confidential Information to others and from using such Confidential Information, except for the benefit of the Company as contemplated hereunder. The Employee further agrees to refrain from taking any other actions, which would tend to destroy or reduce the value of the Confidential Information to the Protected Party.
- (d) Upon the Employee's termination (for any reason), the Employee shall deliver, or cause to be delivered in the case of termination because of incapacity, to the Company all documents and data of any nature pertaining to his work with the Company. The Employee shall not take any documents or data of any description or any reproduction of any description containing or pertaining to any Confidential Information.
- (e) The confidentiality provisions of this Section 7 are intended to supplement and not supersede the applicable provisions of the Uniform Trade Secrets Act, to the fullest extent applicable.
- (f) During the term hereof, and thereafter, the Employee shall not disclose such Confidential Information to any person, firm, association, or other entity for any reason or purpose whatsoever, unless such information has already become common knowledge or unless the Employee is required to disclose it by judicial process. The Employee shall notify the Company in writing of such judicial process prior to disclosure, and allow the Company a reasonable opportunity to defend and protect its rights therein.

8. Restrictive Covenants.

- (a) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, engage in activities for, nor render services (similar or reasonably related to those in which the Employee shall have rendered to the Company) to, any person, entity, firm, business organization which directly or indirectly competes with the Business of the Company to the extent and insofar as such competition is based on or exploits the Confidential Information or Inventions of the Company, whether now existing or hereafter established, nor shall the Employee entice, induce or encourage any of the Company's employees to engage in any activity which, were it done by the Employee, would violate any provision of the this section.

- (b) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, solicit the Company's employees or independent contractors to leave their employ or terminate their contracts with the Company. Further, the Employee shall not offer or cause to be offered employment or an independent contract to any person who was employed by or under contract with the Business of the Company at any time during the twelve (12) months prior to the termination of his employment with the Company.

Upon the Employee's written request to the Company specifying the activities proposed to be conducted by the Employee, the Company may in its discretion give the Employee written approval(s) to personally engage in any activity or render services referred to in Subsection (a) upon receipt of written assurances (satisfactory to the Company and its counsel) from the Employee and from the Employee's prospective employer(s), partner(s) or company that the integrity and provisions of this Section will not in any way be jeopardized or violated by such activities, provided the burden of so establishing the foregoing to the satisfaction of the Company and its counsel shall be upon the Employee and his prospective employer(s), partner(s) or company.

- (c) The parties acknowledge that they have attempted to limit the Employee's right to compete only to the extent necessary to protect the Company from unfair competition. However, the parties hereby agree that, if the scope or enforceability of the restrictive covenant is in any way disputed at any time, a court or other trier of fact may modify and enforce the covenant to the extent that it finds the covenant to be reasonable under the circumstances existing at the time.
- (d) The Employee further acknowledges that: (1) in the event his contract with the Company terminates for any reason, he will be able to earn a livelihood without violating the foregoing restrictions; and (2) that his ability to earn a livelihood without violating such restrictions is a material condition to his retention by the Company.
- (e) The Employee's duties under this Section 8 shall survive termination of the Employee's employment with the Company. The Employee acknowledges that a remedy at law for any breach or threatened breach by the Employee of this Section 8 would be inadequate, and the Employee therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach.

9. Warranty Against Prior Existing Restriction. The Employee represents and warrants to the Company that he is not a party to any agreement containing a non-competition clause or other restriction with respect to: (a) the services which he is required to perform hereunder; or (b) the use or disclosure of any information directly or indirectly related to the Company's business, or to the services he is required to render pursuant hereto.

10. Intellectual Property.

- (a) The Employee agrees that all inventions, designs, improvements, writings, and discoveries, processes and techniques (collectively defined as "Intellectual Property") made since first being employed by the Company until the employee ceases to be employed by the Company, whether under this Agreement or otherwise, and pertaining to the business conducted by the Company, shall be the exclusive property of the Company. The employee agrees to promptly disclose such Intellectual Property to the Company, and the Company shall determine whether such Intellectual Property pertains to its current or future business.

- (b) All Intellectual Property shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. The Employee hereby assigns to the Company any rights he may have or acquire in all Intellectual Property. The Employee further agrees as to all Intellectual Property to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights, trademarks, and other rights and protections and enforcing the same, as the Company may desire, together with any assignments thereof to the Company or persons designated by it. The Employee's obligation to assist the Company in obtaining and enforcing patents, copyrights, trademarks and other rights and protections relating to the Inventions in any and all countries shall continue beyond the termination of the Employee's employment, but the Company shall compensate the Employee at a reasonable rate after such termination for time actually spent by Employee at the Company's request on such assistance.
- (c) In the event the Company is unable after reasonable effort, to secure the Employee's signature on any document or documents needed to apply for or prosecute any patent, copyright, other right or protection relating to an Invention, for any reason whatsoever, the Employee hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as the Employee's agent and attorney-in-fact to act for and on the Employee's behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by the Employee.
- (d) The Company makes no claim to any intellectual property or product which is developed or invented by the Employee and not useful in or unrelated to the Company's Business as determined by the Company, provided such intellectual property or product does not violate any terms of Section 7 (Confidentiality), Section 8 (Restrictive Covenants), or Section 10 (Intellectual Property) set forth in this Agreement. Further, the Employee's invention may not result from the use of Confidential Information. The Company shall notify the Employee within one year whether any such intellectual property is related to the Company's current or future business. If the Company fails to notify the Employee within one year, then the Company shall forfeit any rights to the intellectual property.


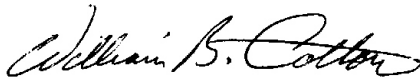
- 11. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policy of each jurisdiction in which enforcement is sought. Accordingly, if any particular provision, section, or subsection of this Agreement is adjudged by any court of law to be void or unenforceable, in whole or in part, such adjudication shall not be deemed to affect the validity of the remainder of the Agreement, including any other provision, section, or subsection. In addition, if any one or more of the provisions contained in this Agreement shall for any reason be held to excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. Each provision, section, and subsection of this Agreement is declared to be separable from every other provision, section, and subsection and constitutes a separate and distinct covenant.
- 12. Entire Agreement. This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements. There are no other agreements, representations, or warranties not set forth herein.
- 13. Notices. All notices or other documents under this Agreement shall be in writing and delivered personally or mailed by certified mail, return receipt requested postage prepaid, addressed to the Company or Employee at their last known addresses. Addresses are as follows:

If to Company:     Flight Safety Technologies, Inc.  
                          28 Cottrell Street  
                          Mystic, Connecticut 06355

If to Employee: William B. Cotton  
Cotton Aviation Enterprises  
1431 Bonita Avenue  
Mount Prospect, IL 60056

14. Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.
15. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
16. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut.
17. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
18. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns.
19. Remedies. The parties agree that in addition to any other rights and remedies available to the Company for any breach by the Employee of his obligations hereunder, the Company shall be entitled to enforce the Employee's obligations hereunder by court injunction, or court ordered affirmative action, which injunction or ordered action may restrain a future breaking of this Agreement if there is reasonable ground to believe that such a breach is threatened. The Employee further agrees to allow the Company to enjoin future use or disclosure of its Confidential Information if it has reasonable grounds to believe such action is necessary to protect such Confidential Information.
20. Attorney's Fees. If either party hereto shall breach any of the terms hereof, such breaching party shall pay to the non-defaulting party all of the non-defaulting party's costs and expenses, including reasonable attorney's fees and costs, incurred by such party in enforcing the terms of this Agreement.
21. Prohibition Against Assignment. The Employee agrees, for himself and on behalf of his successors, heirs, executors, administrators, and any person or persons claiming under him by virtue hereof, that this Agreement and the rights, interests, and benefits hereunder cannot be assigned, transferred, pledged, or hypothecated in any way and shall not be subject to execution, attachment, or similar process. Any such attempt to do so, contrary to the terms hereof, shall be null and void and shall relieve the Company of any and all obligations or liability hereunder.

IN WITNESS WHEREOF, I have on the date set forthwith unto my signature and seal

	<b>For Company:</b> Flight Safety Technologies, Inc.
	
	By: Samuel A. Kovnat Its Chief Executive Officer
	<b>For Employee:</b>
	
	William B. Cotton Individually

**EMPLOYMENT AGREEMENT**  
**Between Flight Safety Technologies, Inc.**  
**and**  
**DAVID D. CRYER**

**THIS AGREEMENT** made as of the 4th day of November, 2003, by and between Flight Safety Technologies, Inc., a Nevada Corporation with a principal place of business at 28 Cottrell Street, Mystic, Connecticut, 06355 (hereafter "Flight Safety" or the "Company") and David D. Cryer (hereafter "Employee").

**RECITALS:**

**WHEREAS**, Flight Safety is engaged in the business of designing, developing, marketing, managing and operating proprietary devices, equipment, and technologies to enhance aviation safety, increase airport capacity and reduce airport delays (the "Business");

**WHEREAS**, Flight Safety desires to employ Employee to provide certain services related to the development and operation of its Business; and

**WHEREAS**, Employee desires to render such services.

**NOW THEREFORE**, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment.

- (a) Flight Safety hereby employs Employee as its Vice President and Chief Financial Officer who shall supervise and monitor the finances of the Company and financial reporting of the Company, including working with the outside auditors of the Company, and Employee hereby accepts the appointment to serve in each capacity at Flight Safety. During the term of this agreement, Employee will be responsible to report to the President and its Chief Executive Officer.
- (b) The Employee hereby accepts such appointment subject to the provisions and conditions of this Agreement.

2. Duration of Agreement. This Agreement shall extend for a period of two years if not sooner terminated pursuant to Section 6 below. The parties may agree by written amendment to continue this Agreement after that date on a year to year basis.

Employee's Duties.

- 3.
- (a) Within ninety (90) days from the effective date of this Agreement, the Employee shall devote substantially all of his business time and attention to the affairs of the Company to effectively carry out his assigned duties. In the event the Company is not successful in raising the current planned funding through the current underwriting by The Shemano Group, Inc., neither the Employee or the Company will be obligated under this Agreement and the Employee shall continue under the current compensation arrangement.
  - (b) Outside Activities. Employee will be able to serve on up to two Board of Director positions provided these activities do not conflict with or diminish Employee's ability to conduct his duties to the Company. Any Board positions or any other professional activities unrelated to the Company will require the prior approval of the Company's Board of Directors.

4. Company's Duties.

- (a) The Company shall:
  - (i) Compensate Employee as set forth in Section 5 below.
  - (ii) Furnish the Employee with a suitable private office, and such equipment, supplies, instruments, and clerical and staff support as are reasonable and necessary to fulfill his responsibilities as set forth in this Agreement.
  - (iii) Furnish the Employee with such data, materials, documents and other information as are reasonable and necessary to fulfill his responsibilities and duties as set forth in this Agreement.
  - (iv) Reimburse the Employee for all reasonable out of pocket business expenses he incurs to fulfill the terms of this Agreement, approved by the Company in accordance with its policies, rules, standards, and/or procedures governing such expenses, including without limitation, those for travel, lodging, food, telephone, facsimile and other electronic voice or data transmissions. The Employee shall submit periodic reports of such expenses on forms with supporting documentation as the Company shall prescribe for its executive Employees and Company shall pay such reimbursement within forty-five (45) days of such submissions.
- (b) The Company, upon approval of the Board of Directors, may pay additional compensation to members of the management, including the Board of Directors beyond that amount set forth in Sections 5(a) and 5(b) below. The Board may approve such additional compensation if it views such additional compensation to be in the best interest of, and fair to the Company. Such additional compensation may be in the form of, without limitation, stock options, warrants, or performance bonuses.

5. Compensation.

- (a) The Company shall pay Employee, at a minimum, a base annual salary of \$124,800 ("Base Compensation") for each of the two years. Compensation shall be in monthly installments payable on the last day of each month, except as the parties may agree to another installment practice with consent of Board of Directors from time to time. There shall be no adjustment for cost of living increases or Consumer Price Index increases. This compensation is subject to Section 5(d) below.
- (b) Employee shall be eligible to participate in coverage under the Company's employee and insurance plans or programs and other employee benefit plan or programs, if any, at least equal to the coverage provided to other full-time executives of Flight Safety, including an annual allowance of up to \$7,200 payable monthly to cover the costs of individual medical insurance premiums and/or medical costs and expenses.
- (c) Employee may be paid additional compensation (as a member of management and/or the Board of Directors) as the Board may approve from time to time pursuant to Section 4(b) above.

6. Termination.

- (a) The Term of this Agreement shall end on the date of the first of the following events to occur:
  - (i) Close of business two (2) years to the date following the execution of this Agreement.
  - (ii) Immediately following the Board of Director's receipt of written notice of the Employee's resignation. The Employee shall not deliver any such notice until the parties have had prior verbal discussions.

(iii) The date on which the Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment for cause, which notice shall specify the nature of such cause. For purposes of this subsection, "cause" shall mean any of the following:

- (A) The breach of any term of this Agreement.
- (B) The repeated, deliberate or intentional failure, refusal, or the habitual neglect of the Employee to perform his duties which in the judgment of the CEO and President has a material adverse effect on the Company (except by reason of short term or long term disability).

(C) Acts constituting gross negligence in the performance of his duties or any cause based on criminal misconduct.

(D) An act of dishonesty by the Employee intended to result in gain or personal enrichment of the Employee at the Company's expense.

(E) In the event that the Employee is unable for a period of one hundred eighty (180) consecutive days to substantially perform his duties and services under this Agreement by reason of illness or incapacity, the thirtieth (30<sup>th</sup>) day after the date on which Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment because of such disability.

(F) Death of the Employee.

(b) If a dispute arises out of or relates to any termination for cause under this Agreement, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Any such dispute that cannot be settled through mediation shall be settled by arbitration administered by the American Arbitration Association under its National Rules for Resolution of Employment Disputes and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(c) Termination of the Employee's employment pursuant to Section 6(a) shall not affect Employee's obligation under Sections 7 (Confidentiality), 8 (Restrictive Covenants), and 10 (Intellectual Property).

(d) The Company may terminate the Employee's employment at any time without cause. In the event of termination without cause the Company will continue to pay the Employee an amount equal to his pay for twelve month monthly installments (twelve months salary) or the amount equal to his pay for the number of monthly installments remaining under this Agreement, whichever is greater.

7. Confidentiality.



(a) The Employee may now and in the future have access to, and may be given information with respect to the special business techniques, concepts, designs, drawings, ideas, models, inventions, molds, forms, software programs, other intangible work product and tangible deliverables, patents, copyrights, trade secrets, other intellectual property, systems, know-how, financial, accounting and production policies, procedures, records and infrastructure, lists of customers, and all other information regarding manufacture, implementation or distribution of the products, plans and technology (the "Confidential Information") that are a part of or used or useful in the Business of the Company and its members, employees, agents, subsidiaries or affiliates (the "Protected Party"), which is not generally known to the public and gives the Protected Party an advantage over its respective competitors who do not know or use the Confidential Information. The Employee acknowledges that all of such Confidential Information as it now or in the future exists:

- (1) Belongs to the Company, its shareholders, subsidiaries and affiliates;
- (2) Constitutes specialized and highly confidential information not generally known in the industry; and
- (3) Constitutes a valuable asset of the Company.

Accordingly, the Employee recognizes and acknowledges that it is essential to the Company to protect the confidentiality of such Confidential Information.

- (b) The Employee agrees to act as a trustee of such Confidential Information and of any other confidential information he acquires in connection with his association with the Company. Further, as an inducement to the Company to retain him as an employee, he will hold all such Confidential Information, in trust and confidence for the use and benefit solely of the Company.
- (c) The Employee agrees to refrain from divulging or disclosing any Confidential Information to others and from using such Confidential Information, except for the benefit of the Company as contemplated hereunder. The Employee further agrees to refrain from taking any other actions, which would tend to destroy or reduce the value of the Confidential Information to the Protected Party.
- (d) Upon the Employee's termination (for any reason), the Employee shall deliver, or cause to be delivered in the case of termination because of incapacity, to the Company all documents and data of any nature pertaining to his work with the Company. The Employee shall not take any documents or data of any description or any reproduction of any description containing or pertaining to any Confidential Information.
- (e) The confidentiality provisions of this Section 7 are intended to supplement and not supersede the applicable provisions of the Uniform Trade Secrets Act, to the fullest extent applicable.
- (f) During the term hereof, and thereafter, the Employee shall not disclose such Confidential Information to any person, firm, association, or other entity for any reason or purpose whatsoever, unless such information has already become common knowledge or unless the Employee is required to disclose it by judicial process. The Employee shall notify the Company in writing of such judicial process prior to disclosure, and allow the Company a reasonable opportunity to defend and protect its rights therein.

8. Restrictive Covenants.

- (a) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, engage in activities for, nor render services (similar or reasonably related to those in which the Employee shall have rendered to the Company) to, any person, entity, firm, business organization which directly or indirectly competes with the Business of the Company to the extent and insofar as such competition is based on or exploits the Confidential Information or Inventions of the Company, whether now existing or hereafter established, nor shall the Employee entice, induce or encourage any of the Company's employees to engage in any activity which, were it done by the Employee, would violate any provision of the this section.
- (b) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, solicit the Company's employees or independent contractors to leave their employ or terminate their contracts with the Company. Further, the Employee shall not offer or cause to be offered employment or an independent contract to any person who was employed by or under contract with the Business of the Company at any time during the twelve (12) months prior to the termination of his employment with the Company.

Upon the Employee's written request to the Company specifying the activities proposed to be conducted by the Employee, the Company may in its discretion give the Employee written approval(s) to personally engage in any activity or render services referred to in Subsection (a) upon receipt of written assurances (satisfactory to the Company and its counsel) from the Employee and from the Employee's prospective employer(s), partner(s) or company that the integrity and provisions of this Section will not in any way be jeopardized or violated by such activities, provided the burden of so establishing the foregoing to the satisfaction of the Company and its counsel shall be upon the Employee and his prospective employer(s), partner(s) or company.

- (c) The parties acknowledge that they have attempted to limit the Employee's right to compete only to the extent necessary to protect the Company from unfair competition. However, the parties hereby agree that, if the scope or enforceability of the restrictive covenant is in any way disputed at any time, a court or other trier of fact may modify and enforce the covenant to the extent that it finds the covenant to be reasonable under the circumstances existing at the time.
- (d) The Employee further acknowledges that: (1) in the event his contract with the Company terminates for any reason, he will be able to earn a livelihood without violating the foregoing restrictions; and (2) that his ability to earn a livelihood without violating such restrictions is a material condition to his retention by the Company.
- (e) The Employee's duties under this Section 8 shall survive termination of the Employee's employment with the Company. The Employee acknowledges that a remedy at law for any breach or threatened breach by the Employee of this Section 8 would be inadequate, and the Employee therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach.

9. Warranty Against Prior Existing Restriction. The Employee represents and warrants to the Company that he is not a party to any agreement containing a non-competition clause or other restriction with respect to: (a) the services which he is required to perform hereunder; or (b) the use or disclosure of any information directly or indirectly related to the Company's Business, or to the services he is required to render pursuant hereto.

10. Intellectual Property.

- (a) The Employee agrees that all inventions, designs, improvements, writings, and discoveries, processes and techniques (collectively defined as "Intellectual Property") made since first being employed by the Company until the employee ceases to be employed by the Company, whether under this Agreement or otherwise, and pertaining to the Business conducted by the Company, shall be the exclusive property of the Company. The employee agrees to promptly disclose such Intellectual Property to the Company, and the Company shall determine whether such Intellectual Property pertains to its current or future Business.
  - (b) All Intellectual Property shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. The Employee hereby assigns to the Company any rights he may have or acquire in all Intellectual Property. The Employee further agrees as to all Intellectual Property to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights, trademarks, and other rights and protections and enforcing the same, as the Company may desire, together with any assignments thereof to the Company or persons designated by it. The Employee's obligation to assist the Company in obtaining and enforcing patents, copyrights, trademarks and other rights and protections relating to the Inventions in any and all countries shall continue beyond the termination of the Employee's employment, but the Company shall compensate the Employee at a reasonable rate after such termination for time actually spent by Employee at the Company's request on such assistance.
  - (c) In the event the Company is unable after reasonable effort, to secure the Employee's signature on any document or documents needed to apply for or prosecute any patent, copyright, other right or protection relating to an Invention, for any reason whatsoever, the Employee hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as the Employee's agent and attorney-in-fact to act for and on the Employee's behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by the Employee.
  - (d) The Company makes no claim to any intellectual property or product which is developed or invented by the Employee and not useful in or unrelated to the Company's Business as determined by the Company, provided such intellectual property or product does not violate any terms of Section 7 (Confidentiality), Section 8 (Restrictive Covenants), or Section 10 (Intellectual Property) set forth in this Agreement. Further, the Employee's invention may not result from the use of Confidential Information. The Company shall notify the Employee within one year whether any such intellectual property is related to the Company's current or future Business. If the Company fails to notify the Employee within one year, then the Company shall forfeit any rights to the intellectual property.
11. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policy of each jurisdiction in which enforcement is sought. Accordingly, if any particular provision, section, or subsection of this Agreement is adjudged by any court of law to be void or unenforceable, in whole or in part, such adjudication shall not be deemed to affect the validity of the remainder of the Agreement, including any other provision, section, or subsection. In addition, if any one or more of the provisions contained in this Agreement shall for any reason be held to excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. Each provision, section, and subsection of this Agreement is declared to be separable from every other provision, section, and subsection and constitutes a separate and distinct covenant.
12. Entire Agreement. This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements. There are no other agreements, representations, or warranties not set forth herein.

13. Notices. All notices or other documents under this Agreement shall be in writing and delivered personally or mailed by certified mail, return receipt requested postage prepaid, addressed to the Company or Employee at their last known addresses. Addresses are as follows:
- If to Company: Flight Safety Technologies, Inc.  
28 Cottrell Street  
Mystic, Connecticut 06355
- If to Employee: David D. Cryer  
c/o 1 Spar Yard Road  
New London, Connecticut 06320
14. Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.
15. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
16. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut.
17. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
18. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns.
19. Remedies. The parties agree that in addition to any other rights and remedies available to the Company for any breach by the Employee of his obligations hereunder, the Company shall be entitled to enforce the Employee's obligations hereunder by court injunction, or court ordered affirmative action, which injunction or ordered action may restrain a future breaking of this Agreement if there is reasonable ground to believe that such a breach is threatened. The Employee further agrees to allow the Company to enjoin future use or disclosure of its Confidential Information if it has reasonable grounds to believe such action is necessary to protect such Confidential Information.
20. Attorney's Fees. If either party hereto shall breach any of the terms hereof, such breaching party shall pay to the non-defaulting party all of the non-defaulting party's costs and expenses, including reasonable attorney's fees and costs, incurred by such party in enforcing the terms of this Agreement.
21. Prohibition Against Assignment. The Employee agrees, for himself and on behalf of his successors, heirs, executors, administrators, and any person or persons claiming under him by virtue hereof, that this Agreement and the rights, interests, and benefits hereunder cannot be assigned, transferred, pledged, or hypothecated in any way and shall not be subject to execution, attachment, or similar process. Any such attempt to do so, contrary to the terms hereof, shall be null and void and shall relieve the Company of any and all obligations or liability hereunder.

IN WITNESS WHEREOF, I have on the date set forthwith unto my signature and seal

**For Company:**  
Flight Safety Technologies, Inc.



By: Samuel A. Kovnat  
Its Chief Executive Officer

**For Employee:**

A handwritten signature in black ink, appearing to read "David D. Cryer". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David D. Cryer

**EMPLOYMENT AGREEMENT**  
**Between Flight Safety Technologies, Inc.**  
**and**  
**FRANK L. REES**

**THIS AGREEMENT** made effective as of the 4th day of November, 2003, by and between Flight Safety Technologies, Inc., a Nevada Corporation with a principal place of business at 28 Cottrell Street, Mystic, Connecticut (hereafter "Flight Safety" or the "Company"), and Frank L. Rees (hereafter "Employee").

**RECITALS:**

**WHEREAS**, Flight Safety is currently engaged in the business of designing, developing, marketing, managing and operating proprietary devices, equipment, and technologies utilizing the inventions covered by United States Letters Patent 6,034,760 and 6,211,808 and relating to the field of aviation safety and may in the future expand its activities in any field of endeavor (the "Business");

**WHEREAS**, Flight Safety desires to continue to employ Employee to provide certain services related to the development and operation of the Business; and

**WHEREAS**, Employee desires to continue to render such services.

**NOW THEREFORE**, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment.

- (a) Flight Safety hereby employs Employee as an Executive Vice President and its Technical Director to create, improve, develop, research, enhance, direct, control and supervise the technical content and development of the Company's Business, which duties shall include supervising, overseeing, evaluating and directing the technical activities of the Company's contractors and sub-contractors. During the Term of this Agreement, Employee will be responsible to report to the President of the Company.
- (b) The Employee hereby accepts such appointment subject to the provisions and conditions of this Agreement.

2. Duration of Agreement. The initial term of this Agreement shall extend for a period of two (2) years if not sooner terminated pursuant to Section 6 below. The parties may agree by written amendment to continue this Agreement after the date of termination of such initial term on a year to year basis. The initial two-year term of this Agreement, together with any one-year continuation periods, is referred to as the "Term" of this Agreement.

3. Employee's Duties. The Employee shall devote so much of his time and attention to the affairs of the Company as are necessary to effectively carry out his assigned duties and recognizes that his first priority and duty in the utilization of his time shall be performing his functions for the Company; provided, however, that the parties agree that the Employee's time commitment to the affairs of the Company pursuant to this Agreement shall be no greater than the time commitment of any other executive officer of the Company. Other than the Greene Rees Technologies, LLC explained in this section, the Greene and Rees Partnership, and Rees Science and Technology, Ltd., Employee represents that he has no other business relationship or duty to provide services to any other entity. Nothing in this Agreement shall restrict Employee, however, from expending his personal time on his own ventures or investments so long as: (i) such activities are consistent with the Employee's duties with the Company; (ii) such activities and time commitments do not impair the effective performance of his duties for the Company; (iii) such activities do not, directly or indirectly, compete with the Business of the Company; and (iv) Employee discloses such activities to the Company.

Without limiting the foregoing, it is understood and agreed that Employee is currently a member, but not an employee, of Greene Rees Technologies, LLC and a partner in the Greene and Rees Partnership and that Employee's activities in relation to Greene Rees Technologies, LLC and the Greene and Rees Partnership currently are limited to developing a parametric, ultra wide band sounder technology (also known as "PUBS") and a nuclear reactor fail-safe system (known as "TWISTER"). These technologies are more fully described in Exhibit A to this Agreement. Employee represents and warrants that Rees Science and Technology, Ltd. is a Maryland business corporation, of which Employee is the sole shareholder, that was formed prior to Employee's founding of the Company. Employee further represents and warrants that there are no written agreements between Employee and Greene Rees Technologies, LLC, and that, to the best of Employee's knowledge, all written agreements between Employee and the Greene and Rees Partnership are attached in Exhibit B to this Agreement. Employee further represents and warrants that his time commitments to Greene Rees Technologies, LLC, the Greene and Rees Partnership, and/or Rees Science and Technology, Ltd. do not impair the effective performance of his duties for the Company pursuant to this Agreement and that Employee does not intend for such time commitments to exceed on average twenty hours per month. Employee understands that these hours will not be included or reported in his work reports to the Company. It is further understood and agreed that the Employee's activities with Greene Rees Technologies, LLC and the Greene and Rees Partnership and the development of the PUBS and TWISTER technologies and resulting products: (i) are consistent with the Employee's duties with the Company within the meaning of this Agreement; (ii) do not, directly or indirectly, compete with the Business of the Company within the meaning of this Agreement; and (iii) have been disclosed to the Company within the meaning of this Agreement.

In consideration of the Employee's execution of this Agreement, the Company will agree to refrain from initiating litigation against the Employee, Rees Science and Technology, Ltd., the Greene and Rees Partnership and/or Greene Rees Technologies, LLC with respect to the foregoing. This release from litigation will not extend however to any individual other than the Employee.

Page 2 of 11

4. Company's Duties.
- (a) The Company shall:
    - (i) Compensate Employee as set forth in Section 5 below.
    - (ii) Furnish the Employee with a suitable private office, and such equipment, supplies, instruments, and clerical and staff support as are reasonable and necessary to fulfill his responsibilities as set forth in this Agreement.

- (iii) Furnish the Employee with such data, materials, documents and other information as are reasonable and necessary to fulfill his responsibilities and duties as set forth in this Agreement.
  - (iv) Reimburse the Employee for all reasonable out of pocket business expenses he incurs to fulfill the terms of this Agreement, approved by the Company in accordance with its policies, rules, standards, and/or procedures governing such expenses, including without limitation, those for travel, lodging, food, telephone, facsimile and other electronic voice or data transmissions. The Employee shall submit periodic reports of such expenses on forms with supporting documentation as the Company shall prescribe for its executive Employees and Company shall pay such reimbursement within thirty (30) days of such submissions.
  - (v) Reimburse or pay directly the leasing and insurance expenses of the automobile currently leased by Employee, or its equivalent.
- (b) The Company, upon approval of the Board of Directors, may pay additional compensation to members of the management, including the Board of Directors beyond that amount set forth in Sections 5(a) and 5(b) below. The Board may approve such additional compensation if it views such additional compensation to be in the best interest of, and fair to the Company. Such additional compensation may be in the form of, without limitation, stock options, warrants, or performance bonuses.

5. Compensation.

- (a) The Company shall pay Employee, at a minimum, a base annual salary of \$150,000 ("Base Compensation") each year of this Agreement. Compensation shall be paid in equal monthly installments payable on the last day of each month, except as the parties may agree to another installment practice with consent of Board of Directors from time to time. There shall be no adjustment for cost of living increases or Consumer Price Index increases.

Page 3 of 11

- (b) Employee shall be eligible to participate in coverage under the Company's employee and insurance plans or programs and other employee benefit plan or programs, if any, at least equal to the coverage provided to other full-time executives of Flight Safety, including an annual allowance of up to \$7,200 payable monthly to cover the costs of individual medical insurance premiums and/or medical costs and expenses.
- (c) Employee may be paid additional compensation (as a member of management and/or the Board of Directors) as the Board may approve from time to time pursuant to Section 4(b) above.
- (d) Employee shall be entitled to four (4) weeks of paid vacation per year.

6. Termination.

- (a) The Term of this Agreement shall end on the date of the first of the following events to occur:
- (i) Close of business two (2) years to the date following the Effective Date, unless continued pursuant to Section 2.



- (ii) The Board of Director's receipt of written notice of the Employee's resignation.
- (iii) The date on which the Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment for cause, which notice shall specify the nature of such cause. For purposes of this subsection, "cause" shall mean any of the following:
  - (A) The material breach of any term of this Agreement.
  - (B) The repeated, deliberate or intentional failure, refusal, or the habitual neglect of the Employee to perform his duties under this Agreement which has a material adverse effect on the Company (except by reason of short term or long term disability); provided, however, that the Employee is given thirty (30) days written notice and the opportunity to cure within such thirty (30) days such failure, refusal or neglect.
  - (C) Acts constituting gross negligence in the performance of his duties under this Agreement; provided, however, that the Employee is given thirty (30) days written notice and the opportunity to cure within such thirty (30) days such acts.
  - (D) An act of dishonesty by the Employee intended to result in gain or personal enrichment of the Employee at the Company's expense.

Page 4 of 11

- (E) In the event that the Employee is unable for a period of one hundred eighty (180) consecutive days to substantially perform his duties under this Agreement by reason of illness or incapacity, the thirtieth (30<sup>th</sup>) day after the date on which Employee shall have received written notice from the Board of Directors of the Company that it has decided to terminate his employment because of such disability.
  - (F) Death of the Employee.
- (b) Termination of the Employee's employment pursuant to Section 6(a) shall not affect Employee's obligation under Sections 7 (Confidentiality), 8 (Restrictive Covenants), and 10 (Inventions), or the provisions of Section 11.
  - (c) The Company may terminate the Employee's employment at any time without cause, effective upon the Employee's receipt of written notice of such termination. In the event of termination without cause, the Company will continue to pay the Employee an amount equal to his pay for twelve months at the rate set forth in Section 5(a) (twelve months salary), or the amount equal to his pay for the number of monthly installments remaining in the then-current Term of this Agreement, whichever is greater. For each month of salary payable under this Section 6(c), the Company will also continue to pay the corresponding amount of the allowance provided for in Section 5(b).

- (a) The Employee may now and in the future have access to, and may be given information with respect to the Company's special business techniques, concepts, designs, drawings, ideas, models, inventions, molds, forms, software programs, other intangible work product and tangible deliverables, patents, copyrights, trade secrets, other intellectual property, systems, know-how, financial, accounting and production policies, procedures, records and infrastructure, lists of customers, and all other information regarding manufacture, implementation or distribution of the Company's products, plans and technology (the "Confidential Information") that are a part of or used in the Business of the Company and its wholly-owned subsidiaries or common-control affiliates (the "Protected Party"), which is not generally known to the public and gives the Protected Party an advantage over its respective competitors who do not know or use the Confidential Information.
- (b) The Employee agrees to hold all such Confidential Information in trust and confidence for the use and benefit solely of the Company.
- (c) The Employee agrees to refrain from divulging or disclosing any Confidential Information to others and from using such Confidential Information, except for the benefit of the Company.

Page 5 of 11

- (d) Upon the Employee's termination (for any reason), the Employee shall deliver, or cause to be delivered in the case of termination because of incapacity, to the Company all documents and data of any nature pertaining to his work with the Company and shall not keep any documents or data of any description or any reproduction of any description containing or pertaining to any Confidential Information.
- (e) The confidentiality provisions of this Section 7 are not intended to supersede the applicable provisions of the Uniform Trade Secrets Act, to the fullest extent applicable.
- (f) During the Term hereof, and thereafter, the Employee shall not disclose such Confidential Information to any person, firm, association, or other entity for any reason or purpose whatsoever, unless such information has become publicly available or unless the Employee is required to disclose it by judicial process. The Employee shall notify the Company in writing of such judicial process prior to disclosure, and allow the Company a reasonable opportunity to defend and protect its rights therein.

8. Restrictive Covenants.

- (a) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, engage in activities for, nor render services (similar or reasonably related to those in which the Employee shall have rendered to the Company) to, any person, entity, firm, business organization which directly or indirectly competes with the Business of the Company to the extent and insofar as such competition is based on or exploits the Confidential Information or Inventions of the Company as defined in Sections 7 and 10, respectively, whether now existing or hereafter established.

- (b) For a period of twelve (12) months after the expiration or termination of this Agreement for any reason whatsoever, the Employee shall not, directly or indirectly, solicit the Company's employees or independent contractors to leave their employ or terminate their contracts with the Company.
  - (c) Upon the Employee's written request to the Company specifying the activities proposed to be conducted by the Employee, the Company may in its discretion give the Employee written approval(s) to personally engage in any activity or render services referred to in Subsection (a) upon receipt of written assurances (satisfactory to the Company) from the Employee that the provisions of this Section will not in any way be violated by such activities.
9. Warranty Against Prior Existing Restriction. The Employee represents and warrants to the Company that, upon execution of this Agreement by him and the Company, he is not a party to any agreement containing a non-competition clause or other restriction with respect to: (a) the services which he is required to perform hereunder; or (b) the use or disclosure of any information directly or indirectly related to the Company Business, or to the services he is required to render pursuant hereto.

Page 6 of 11

10. Inventions.
- (a) The Employee agrees to promptly disclose to the Company, or any persons designated by it, all improvements, inventions, formulae, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or learned by the Employee, either alone or jointly with others, during the period of the Employee's employment that are directly related to the Business of the Company, or result from tasks assigned to the Employee by the Company, or result from use or premises owned, leased or contracted for by the Company; provided, however, that the parties understand and agree that the Employee's use of any part of his home shall not be considered, or deemed to be, a "use of premises owned, leased or contracted for by the Company" within the meaning of this Agreement (all said improvements, inventions, formulae, processes, techniques, know-how and data shall be collectively hereinafter called "Inventions").
  - (b) All Inventions shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. The Employee hereby assigns to the Company any rights he may have or acquire in all Inventions. The Employee further agrees as to all Inventions to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights, trademarks, and other rights and protections and enforcing the same, as the Company may desire, together with any assignments thereof to the Company or persons designated by it. The Employee's obligation to assist the Company in obtaining and enforcing patents, copyrights, trademarks and other rights and protections relating to the Inventions in any and all countries shall continue beyond the termination of the Employee's employment, but the Company shall compensate the Employee at a reasonable rate after such termination for time actually spent by Employee at the Company's request on such assistance.

- (c) The parties understand and agree that the Company has no right or claim of right to any improvement, invention, formula, process, technique, know how or data made or conceived or reduced to practice or learned by the Employee prior to his employment with the Company or in connection with his pursuit of his own ventures pursuant to Section 3 hereof, including, without limitation, the PUBS and TWISTER technologies. Further, the Company makes no claim to any intellectual property or product which is developed or invented by the Employee and not useful in or unrelated to the Company's Business, provided such intellectual property or product does not violate any terms of Section 7 (Confidentiality).

Page 7 of 11

- (d) If in the future the Company expresses interest in any intellectual property or product within the scope of Section 10(c), other than the PUBS and TWISTER technologies, the Employee agrees to use his best efforts to negotiate a licensing agreement with the Company for such intellectual property or product on such terms as may be mutually agreeable to the parties, provided that the Employee possesses the right to grant such a license. If in the future the Company expresses interest in the PUBS or TWISTER technologies, the Employee agrees to use his best efforts to explore a licensing agreement between the owner of the technology and the Company.
11. Stock Ownership Issues. The Employee holds approximately 1,300,000 shares (prior to giving effect to the recent reverse stock split) of the Company's Common Stock. The Company acknowledges that, given the Employee's age and financial planning needs, the Employee intends to begin liquidating such shares and diversifying his investment portfolio. To that end, the Employee is unwilling to enter into this Agreement unless the Employee receives assurances that the Company will cooperate in his efforts to begin liquidating such shares, subject to any lock-up agreement to which the Employee may be a party. Therefore, the Company agrees to assist and cooperate with the Employee in adopting a written plan, the development of which shall be at the Company's expense, for trading shares of the Company's Common Stock under Rule 10b5-1 adopted pursuant to the Securities Exchange Act of 1934, as amended (the "Plan"), such Plan to be in effect for so long as the Employee is deemed an affiliate of the Company. The Employee intends for the Plan to provide in general that so long as the price per share of the Company's Common Stock is at a minimum trading price (as adjusted for future stock splits, stock combinations, etc.), the Employee will sell (through a broker mutually acceptable to the Company and the Employee) shares of Common Stock on a monthly basis, such that the Employee sells in each 3 month period up to the maximum number of shares that Employee is permitted to sell under the volume restrictions imposed on the Employee by Rule 144 adopted pursuant to the Securities Act of 1933, as amended. Without limiting the generality of the foregoing, the Company will make appropriate changes or exceptions to any insider trading policy so as to permit the sale of the Employee's shares pursuant to the Plan. The Company also agrees that in the event that the Employee is not otherwise deemed an affiliate for purposes of Rule 144, the fact that the Employee holds shares of Common Stock representing less than 5% of the Company's outstanding Common Stock, in and of itself, shall not be treated by the Company as causing the Employee to be an affiliate for such purposes.

12. Lock-Up Agreement. The Employee is a holder of shares of common stock of the Company ("Common Stock"). The Employee understands that the Company has conducted a public offering of Units, each Unit consisting of two shares of Common Stock and one Warrant to purchase one share of Common Stock, in an offering to be managed by The Shemano Group, Inc. (the "Underwriter"), as described in a registration statement filed with the Securities and Exchange Commission (the "SEC") (such registration statement, as may be amended, is referred to herein as the "Registration Statement"). The Employee hereby agrees as follows, provided this Agreement has not been terminated and the Employee remains employed by the Company:

Page 8 of 11

- (a) During the period commencing on the date the Registration Statement is declared effective by the SEC (the "Effective Date") and ending on April 28, 2005 (such period herein referred to as the "Lock-Up Period"), the Employee will not, directly or indirectly, through an "affiliate", "associate" (as such terms are defined in the General Rules and Regulations under the Securities Act of 1933, as amended (the "Securities Act")), a family member or otherwise, offer, sell, pledge, hypothecate, grant an option for sale or otherwise dispose of, or transfer or grant any rights with respect thereto in any manner (either privately or publicly pursuant to Rule 144 of the General Rules and Regulations under the Securities Act, or otherwise) any shares of Common Stock of the Company or any other securities of the Company, including but not limited to any securities convertible or exchangeable into shares of Common Stock of the Company or options or rights to acquire Common Stock of the Company directly or indirectly owned or controlled by the Employee on the date hereof or hereafter acquired by the Employee pursuant to a stock split, stock dividend, recapitalization or similar transaction or otherwise acquired by the Employee in a private transaction (the "Securities"), or enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock or other securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, during the Lock-Up Period, without the Underwriter's prior written consent; provided, however, that (A) such Securities may be sold or otherwise transferred in a private transaction during the Lock-Up Period so long as the acquirer of the Securities, by written agreement with the Company entered into at the time of acquisition and delivered to the Underwriter prior to the consummation of such acquisition, agrees to be bound by the terms of this agreement and (B) such Securities may be sold or otherwise transferred through intra-family transfers or transfers to trusts for estate planning purposes during the Lock-Up Period without the Company's consent so long as the acquirer of the Securities, by written agreement with the Company entered into at the time of acquisition and delivered to the Company prior to the consummation of such acquisition, agrees to be bound by the terms of this agreement.
- (b) The Employee hereby agrees to not exercise any registration rights relating to any Securities until after termination of the Lock-Up Period, without the prior written consent of the Company.

- (c) The Employee hereby agrees to the placement of a legend on the certificates representing the Securities to indicate the restrictions on resale of the Securities imposed by this agreement and/or the entry of stop transfer orders with the transfer agent and the registrar of the Company's securities against the transfer of the Securities except in compliance with this agreement.

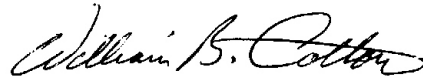
13.	<p><u>Severability.</u> It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policy of each jurisdiction in which enforcement is sought. Accordingly, if any particular provision, section, or subsection of this Agreement is adjudged by any court of law to be void or unenforceable, in whole or in part, such adjudication shall not be deemed to affect the validity of the remainder of the Agreement, including any other provision, section, or subsection. In addition, if any one or more of the provisions contained in this Agreement shall for any reason be held to excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. Each provision, section, and subsection of this Agreement is declared to be separable from every other provision, section, and subsection and constitutes a separate and distinct covenant.</p>		
14.	<p><u>Mediation and Arbitration.</u> If a dispute arises concerning any aspect of the Employee's relationship with the Company, including, without limitation, any aspect of this Agreement or the respective rights and obligations of the parties hereunder, and if the dispute cannot be settled through negotiation within thirty (30) days notice of such dispute, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. Any such dispute that cannot be settled through mediation shall be settled by a panel of three arbitrators in an arbitration administered by the American Arbitration Association under its National Rules for Resolution of Employment Disputes, and judgment upon the award rendered by the arbitration panel may be entered in any court having jurisdiction thereof. Any mediation shall take place in the City of Hartford, Connecticut, USA, and all costs and expenses of such mediation and/or arbitration shall be allocated and paid in accordance with the American Arbitration Association's National Rules for Resolution of Employment Disputes in effect on the date of this Agreement. At the discretion of the arbitration panel, attorneys' fees may be awarded to the prevailing party.</p>		
15.	<p><u>Entire Agreement.</u> This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements. There are no other agreements, representations, or warranties not set forth herein.</p>		
16.	<p><u>Notices.</u> All notices or other documents under this Agreement shall be in writing and delivered personally or mailed by certified mail, return receipt requested postage prepaid, addressed to the Company or Employee at their last known addresses. Addresses are as follows:</p>		
	<table border="1"> <tr> <td data-bbox="147 1969 342 2070">If to Company:</td> <td data-bbox="342 1969 1076 2070">Flight Safety Technologies, Inc. 28 Cottrell Street Mystic, Connecticut 06355</td> </tr> </table>	If to Company:	Flight Safety Technologies, Inc. 28 Cottrell Street Mystic, Connecticut 06355
If to Company:	Flight Safety Technologies, Inc. 28 Cottrell Street Mystic, Connecticut 06355		

	If to Employee	Frank L. Rees 63 Mountain Green Circle Windsor Mill, MD 21244-2602
17.	<u>Non-waiver.</u> No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.	

18. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
19. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Connecticut.
20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
21. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns.
22. Remedies. The parties agree that, notwithstanding the rights and remedies available pursuant to Section 14 (Mediation and Arbitration), either party retains the right under appropriate circumstances to petition a court of competent jurisdiction for injunctive relief.
23. Attorney's Fees. In the event litigation arises out of any aspects of this Agreement or concerning the respective rights and obligations of the parties hereunder, the prevailing party in such litigation shall be entitled to recover its costs and expenses, including reasonable attorney's fees.
24. Prohibition Against Assignment. The Employee agrees, for himself and on behalf of his successors, heirs, executors, administrators, and any person or persons claiming under him by virtue hereof, that this Agreement and the rights, interests, and benefits hereunder cannot be assigned, transferred, pledged, or hypothecated in any way and shall not be subject to execution, attachment, or similar process. Any such attempt to do so, contrary to the terms hereof, shall be null and void.

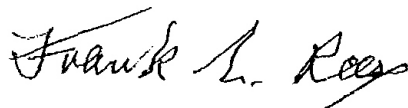
IN WITNESS WHEREOF, the parties have on the dates indicated set forthwith their signature and seal on the dates indicated.

**For Company:**  
Flight Safety Technologies, Inc.



By: William B. Cotton  
Its President

**For Employee:**



Frank L. Rees





**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Samuel A. Kovnat, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Flight Safety Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 6, 2004

By:



Samuel A. Kovnat  
Its Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David D. Cryer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Flight Safety Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 6, 2004

By:



David D. Cryer  
Its Chief Financial Officer




**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), on Form 10-KSB for the fiscal year ending May 31, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Samuel A. Kovnat, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

April 6, 2004

By: 



Samuel A. Kovnat  
Its Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Flight Safety Technologies, Inc., a Nevada corporation (the "Company"), on Form 10-KSB for the fiscal year ending May 31, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, David D. Cryer, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

April 6, 2004

By:



David D. Cryer  
Its Chief Financial Officer